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CRAVATH, SWAINE & MOORE

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RECORDATION NO. _____ Filed 1425

ONE CHASE MANHATTAN PLAZA

NEW YORK, N.Y. 10005

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RECORDATION NO. _____ Filed 1425

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MAY 17 1979 - 4 00 PM

INTERSTATE COMMERCE COMMISSION

Date MAY 17 1979

Fee \$ *100.00*

RECORDATION NO. _____ Filed 1425

MAY 17 1979 - 4 00 PM

CC Washington, D. C.

INTERSTATE COMMERCE COMMISSION

Great Lakes Carbon Corporation

Lease Financing Dated as of March 15, 1979

9-3/4% Conditional Sale Indebtedness

Due 1994

Dear Sir:

Pursuant to 49 U.S.C. § 11303(a), I enclose herewith, on behalf of Great Lakes Carbon Corporation, for filing and recordation counterparts of the following:

1(a) Conditional Sale Agreement dated as of March 15, 1979, between Thrall Car Manufacturing Company and The Connecticut Bank and Trust Company;

1(b) Agreement and Assignment dated as of March 15, 1979, between Thrall Car Manufacturing Company and Aetna Life Insurance Company;

2(a) Lease of Railroad Equipment dated as of March 15, 1979, between Great Lakes Carbon Corporation and The Connecticut Bank and Trust Company; and

2(b) Assignment of Lease and Agreement dated as of March 15, 1979, between The Connecticut Bank and Trust Company and Aetna Life Insurance Company.

The names and addresses of the parties to the aforementioned agreements are as follows:

MAURICE T. MOORE
BRUCE BROMLEY
WILLIAM B. MARSHALL
RALPH L. McAFEE
ROYALL VICTOR
ALLEN H. MERRILL
HENRY W. DE KOSMIAN
ALLEN F. MAULSBY
STEWART R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT
GEORGE J. GILLESPIE, III
RICHARD S. SIMMONS
WAYNE E. CHAPMAN
THOMAS D. BARR
MELVIN L. BEDRICK
GEORGE T. LOWY
ROBERT ROSENMAN

JAMES H. DUFFY
ALAN J. HRUSKA
JOHN E. YOUNG
JAMES M. EDWARDS
DAVID G. ORMSBY
DAVID L. SCHWARTZ
RICHARD J. HIEGEL
FREDERICK A. O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. BROME
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MALL
ALLEN FINKEL
RONALD S. ROFFE
JOSEPH R. SAHID
PAUL C. SAHID
MARTIN L. SENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON

COUNSEL
ROSWELL L. GILPATRICK
ALBERT R. CONNELLY
ALAN DETWEILER
GEORGE G. TYLER

CARLYLE E. MAW
L. R. BRESLIN, JR.
GEORGE B. TURNER
JOHN H. MORSE
HAROLD R. MEDINA, JR.
CHARLES R. LINTON

4, PLACE DE LA CONCORDE
75008 PARIS, FRANCE
TELEPHONE: 265-81-54
TELEX: 290530

33 THROGMORTON STREET
LONDON, EC2N 2BR, ENGLAND
TELEPHONE 01-606-1421
TELEX: 8814901

CABLE ADDRESSES
CRAVATH, N. Y.
CRAVATH, PARIS
CRAVATH, LONDON E.C. 2

FEE OPERATION BR.
I.C.C.

MAY 17 3 57 PM '79

RECEIVED

Thomas J. G. Manah
CC Cravath

Trustee-Vendee-Lessor:

The Connecticut Bank and Trust Company,
One Constitution Plaza,
Hartford, Connecticut 06115.

Vendor-Assignee:

Aetna Life Insurance Company,
151 Farmington Avenue,
Hartford, Connecticut 06156.

Lessee:

Great Lakes Carbon Corporation,
299 Park Avenue,
New York, New York 10017.

Builder-Vendor:

Thrall Car Manufacturing Company,
P. O. Box 218,
Chicago Heights, Illinois 60411.

The equipment covered by the aforementioned agreement consists of 100 100-ton covered hopper cars with continuous trough hatches (LO), bearing the road numbers GLCX 7000-7099, inclusive, and also bearing the legend "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION".

Enclosed is our check for \$100 for the required recordation fee. Please accept one counterpart of each of the enclosed agreements for your files, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,

Laurance V. Goodrich

Laurance V. Goodrich
as Agent for
Great Lakes Carbon Corporation

Mr. H. G. Homme, Jr., Secretary
Interstate Commerce Commission,
Washington, D. C. 20423

Encl.

10378 *B*
RECORDATION NO. Filed 1425

MAY 17 1979 -4 09 PM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of March 15, 1979

between

GREAT LAKES CARBON CORPORATION

and

THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee

Lease of Railroad Equipment

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LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1979, between GREAT LAKES CARBON CORPORATION, a Delaware corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, acting not in its individual capacity but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with Fourteenth HFC Leasing Corporation (the "Owner").

WHEREAS, pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Lessee, the Lessor, the Owner, HFC Leasing Inc. and Aetna Life Insurance Company (hereinafter, with its successors and assigns, called the "Vendor"), the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with Thrall Car Manufacturing Company (the "Builder"), wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule 1 hereto (the "Equipment");

WHEREAS the Builder is assigning its interest in the CSA to the Vendor;

WHEREAS the Lessor is assigning its interest in this Lease to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment"); and

WHEREAS the Lessee desires to lease such number of units of the Equipment as are delivered and accepted under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not

limited to, any abatement, reduction or setoff due, or alleged to be due, by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the CSA, or against the Builder or the Owner or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, any prohibition or restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding involving the Lessee, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA, and consents to the appointment of ITEL Corporation, Rail Division ("ITEL"), as the Lessee's agent for such inspection and acceptance. The Lessor will cause the Units to be delivered to the Lessee at the point within the United States of America at which the Units are delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee or agent of the Lessee to determine that the same has been delivered in good order and, if such Unit is found to be in good order and has been inspected and approved by an authorized representative of the Lessee at the Builder's plant, to accept delivery of such Unit, and the Lessee shall execute and deliver to the Lessor a certificate of acceptance (the "Certificate of

Acceptance") in the form set forth in Exhibit A hereto in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date set forth in such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the CSA pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Lease.

§ 3. Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease, in arrears, one interim and 216 consecutive monthly rental payments. The interim rental payment for each Unit subject to this Lease is payable on July 16, 1979, and shall be in an amount equal to the product of the Purchase Price for such Unit (as defined in the CSA) multiplied by .02672% for each day elapsed from and including the Closing Date (as defined in the CSA) for such Unit to but not including July 15, 1979. The 216 monthly rental payments shall each be in an amount equal to 0.865463% of the Purchase Price of each such Unit then subject to this Lease, and shall be payable on the fifteenth day of each month, commencing August 15, 1979. In addition to the foregoing rentals, the Lessee agrees to pay to the Lessor, as additional rental on July 16, 1979, an amount equal to the payment required to be made by the Lessor pursuant to the proviso of the first sentence of Paragraph 9 of the Participation Agreement.

The Lessee and the Lessor agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule 2 hereto and the Termination Value percentages set forth in Schedule 3 hereto will be adjusted upward or downward to reflect (A) any amendment to, or change in, the Internal Revenue Code of 1954, as amended (the "Code"), the income tax regulations thereunder or published administrative interpretations of the Code or such regulations, which change or amendment is enacted or adopted on or before December 31, 1979, and (B) the delivery of any Unit or Units after June 30, 1979. Such adjustments will be effective as of the rental payment date next following such amendment or change, or such difference in delivery schedule, as the case may be, and will be made in such manner as will result, in

the Owner's reasonable judgment, in preserving for the Owner both the after-tax rate of return and the after-tax cash flow that would have been realized by the Owner had such amendment or change, or such difference in delivery schedule, as the case may be, not occurred, based on the rates of Federal, state and local taxes on, based on, or measured by, net income in effect from time to time. Notwithstanding anything herein, the rentals payable and Casualty Value and Termination Value percentages will never be less than those amounts and percentages required to enable the Lessor to satisfy its obligations under the CSA and to satisfy the pretax cash flow and profit requirements of Section 4(6) of Rev. Proc. 75-21, 1975-1 Cum. Bul. 715. The Owner shall furnish the Lessee and the Vendor prior to the effective date of such adjustments with a notice setting forth in reasonable detail the computations and methods used in computing the adjustments.

If any rental payment date referred to above is not a business day the rental otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, Hartford, Connecticut, or New York, New York, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee as long as any of the CSA Indebtedness (as defined in the CSA) is outstanding, to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, to the Vendor (or as the Vendor may otherwise specify in writing to the Lessee), at the address and by the method specified in the Consent and Agreement, dated as of the date hereof, attached to the Lease Assignment (the "Consent"), for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the CSA, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing; provided, however, that, so long as and only so long as no default in payment by the Lessee of any amount provided for in the first three sentences of the first paragraph of this § 3 or in the second, thirteenth or fourteenth paragraph of § 7 hereof, shall have occurred and be continuing, the Lessee shall make all payments provided for in §§ 6, 9 and 16 hereof directly to the person entitled to receive them, as provided in the Lease Assignment. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds

immediately available to the Vendor or the Lessor, as the case may be, by 11:00 a.m., New York time, on the date such payment is due. From and after the date of payment in full of all obligations of the Lessor under the CSA, all such payments shall be made directly to the Lessor.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10, 13 and 14 hereof, shall expire on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee under §§ 6, 7, 9, 14 and 16 hereof shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights and remedies of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Payments (as defined in the Lease Assignment) are being made to and applied by the Vendor in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession and use provided under § 12 hereof.

§ 5. Identification Marks. The Lessee (at its own expense) will cause each Unit to be kept numbered with the road number set forth in Schedule 1 hereto or, in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace

promptly any such markings which may be removed, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, and that no other filing, deposit or giving of notice with any Federal, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor (in both its individual and fiduciary capacities) for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax payable by the Lessor and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax, and other than the aggregate of all state or local taxes measured by net income and value added taxes in lieu of such net income taxes, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the CSA, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions

which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or the interest of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as such imposition remains unpaid and Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such impositions, or the Lessor is required to contest such impositions as provided in this § 6, and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or of the Lessor or the Vendor under the CSA. The Lessee agrees to give the Lessor notice of any such contest brought in the Lessee's name prior to or within 30 days after institution thereof, and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall pay the Lessor on presentation of an invoice therefor if the Lessor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Lessor) or the Lessee shall have approved the payment thereof, and the Lessor agrees to give the Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such imposition, as hereinafter provided in this § 6.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to Article 6 of the CSA not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor to fulfill completely the Lessor's obligations pursuant to said provision; provided, however, that the Lessee shall not thereby become obligated to make any payment on behalf of the Lessor or any other person of the type it is not obligated to make to the Lessor by reason of the exceptions set forth in the first sentence of this § 6.

In the event any returns, statements or reports with respect to impositions involving any Unit are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Vendor in such Units and as shall be satisfactory to them or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to them within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to them.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

In the event the Lessee may be prohibited by law or is impaired from contesting in its own name any imposition covered by this § 6 in respect of which the Lessee would otherwise be required to make payments to the Lessor pursuant hereto, the Lessor shall, upon request and at the expense of the Lessee, take all legal and other appropriate action reasonably requested by the Lessee to contest such imposition. The Lessor shall not be obligated to take any such action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein. The Lessee shall indemnify and hold the Lessor (in both its individual and fiduciary capacities) harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred as a result of, or incident to, any action taken by the Lessor or Lessee under this § 6. The Lessee shall be entitled to any refund (plus interest, if any) received by the Lessor or the Lessee in respect of any imposition paid by the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances with respect to, or furnish other evidence satisfactory to the Lessor of, the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's

compliance with the requirements of taxing jurisdictions, including, but not limited to, data as to any use of any Unit outside the United States of America.

The amount which the Lessee shall be required to pay with respect to any imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the Lessor to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment and such imposition on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that the Lessor would have had or been in had such imposition not been imposed.

§ 7. Maintenance; Casualty Occurrences; Termination; Insurance. The Lessee agrees that, at the Lessee's own cost and expense, it will be responsible for ordinary maintenance and repairs required to maintain and keep all of the Units which are subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, and eligible for interchange service under the applicable rules of the American Association of Railroads (or any of its successors).

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of the CSA or for an indefinite period, but only when such indefinite period shall have exceeded the term of the CSA, or by any political subdivision of the United States of America or any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of

this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit and the Lessee shall pay all costs of removal of such Unit and of freight to the place designated pursuant to § 14 hereof.

The Casualty Value of each Unit as of the rental payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule 2 hereto opposite such date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease at the expiration of the term hereof and before the end of the storage period provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

The Lessor hereby irrevocably appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis, such disposition and all expenses related thereto to be at Lessee's cost and expense. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

In the event of the requisition for use (which is not a Casualty Occurrence) by the United States Government or by any political subdivision of the United States of America or by any other governmental entity (hereinafter called the "Government") of any Unit during the term of this Lease, all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of

the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or § 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall in all other respects comply with the provisions of said § 11 or § 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease, shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee shall, at its sole expense, obtain and maintain in full force and effect from the time any Unit is accepted by the Lessee and throughout the term of this Lease and during any storage period as provided in §§ 11 or 14 hereof, on each Unit from time to time subject hereto, with such insurers as are reasonably satisfactory to the Lessor and the Vendor (i) insurance in the amount of at least \$4,000,000 per occurrence against all risks of physical loss of, or damage to, the Units and (ii) public liability and property damage insurance in the amount of at least \$11,000,000 per occurrence covering liability for personal injuries, death or property damage resulting from the ownership, maintenance, use or operation of the Units; provided, however, that in the case of property insurance, the Lessee, at its option, may self-insure the Units to the extent it typically self-insures similar equipment and to the extent such self-insurance, including any program of risk assumption, is consistent with prudent industry practice. All insurance policies required hereby shall, without limitation of the foregoing, (i) require 30 days' prior written notice of cancelation or material change in coverage to the Lessor, the Owner and the Vendor and (ii) name the Lessor (in both its individual and fiduciary capacities), the Owner and the Vendor as loss payees as their respective interests may appear, in the case of property

insurance, and as additional named insureds, in the case of liability insurance, and (iii) shall provide that in respect of the interests of the Lessor, the Owner and the Vendor in such policies, the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor, the Owner and the Vendor) and shall insure the Lessor, the Owner and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor, the Owner or the Vendor). The Lessee shall furnish to the Lessor prior to the acceptance date of any Unit and upon request throughout the term of this Lease evidence of insurance satisfactory to the Lessor and the Vendor showing the existence of the insurance required hereunder. The property insurance referred to in this § 7 may be written with such deductible amounts as the Lessee deems appropriate but not in excess of deductible amounts applicable to property insurance carried by the Lessee on other railroad rolling stock owned or operated by the Lessee and, in any event, only to the extent such deductible amounts are consistent with prudent industry practice.

In the event of failure on the part of the Lessee to provide and furnish any of the aforesaid insurance, the Lessor or the Vendor, upon notice to the Lessee, may, but shall not be obligated to, procure such insurance and the Lessee shall, upon demand, reimburse the Lessor and the Vendor for all reasonable expenditures made by the Lessor or the Vendor for such insurance, together with interest thereon computed at the maximum rate of interest permitted by law, but not more than 10-3/4% per annum, from the date of the Vendor's or the Lessor's payment until reimbursed by the Lessee.

If the Lessor shall receive any insurance proceeds (other than on policies for which the Lessor has paid premiums) or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to such Unit having suffered a Casualty Occurrence and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor from the Lessee's insurance coverage in respect of any Unit not suffering a

Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired and so long as no Event of Default (as defined in § 10 hereof) is continuing under this Lease.

In the event that the Lessee shall, in its reasonable judgment, determine that the Units remaining under this Lease have become economically obsolete or surplus to the Lessee's requirements in the Lessee's business, the Lessee shall have the right, at its option and on at least 180 days' prior written notice to the Lessor, to terminate (which act shall hereinafter be called the "Termination") this Lease as to all but not less than all of such Units as of any succeeding rental payment date specified in such notice (such termination date so specified being hereinafter called the "Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than July 15, 1986, nor later than July 15, 1997, (ii) the Termination Date shall be July 15 or January 15 of the year in which the Termination occurs, (iii) no Event of Default or other event which after the lapse of time or the giving of notice or both would become an Event of Default shall have occurred and be continuing on such date, and (iv) on the Termination Date all Units shall be in the condition required for redelivery pursuant to § 14 hereof.

During the period after the giving of such notice until the fifth business day preceding the Termination Date, the Lessee shall use its best efforts to obtain bids for the purchase of each such Unit, and the Lessee shall at least five business days prior to such Termination Date certify to the Lessor the amount of each such bid and the name and address of the party (which shall not be a corporation, other entity or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Unit) submitting such bid. On the Termination Date the Lessor shall sell each such Unit for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at each such sale shall be retained by the Lessor.

On such Termination Date, the Lessee shall pay to the Lessor with respect to each such Unit an amount equal to (i) the excess, if any, of the Termination Value (as hereinafter defined) for each such Unit computed as of such date

over the sale price of any such Unit so sold after the deduction of all expenses incurred by the Lessor in connection with such sale and (ii) the rental payment with respect to each such Unit due on such Termination Date. The Termination Value of each such Unit as of the Termination Date on which payment is to be made shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule 3 hereto opposite such date. In no event shall the aggregate amount of sale proceeds retained by the Lessor and payments of rental and Termination Value received by the Lessor as aforesaid be less than the Termination Value (as defined in the CSA) with respect to such Units as of such Termination Date.

If no sale of the Units shall occur on the Termination Date with respect thereto as provided above, this Lease shall continue in full force and effect without change unless and until the Lessee pays the Lessor an amount equal to the Termination Value of such Unit as of such Termination Date and any rental payment due with respect thereto on such Termination Date and returns any unsold Unit to the Lessor pursuant to § 14 hereof.

Upon the receipt by the Lessor of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 3 hereof in respect of such Unit on each rental payment date shall continue to and including the Termination Date but shall then terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale other than to transfer or to cause to be transferred all of the Lessor's right, title and interest in and to such Unit to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided. Any such sale shall be free and clear of all of the Lessee's rights to such Unit, but otherwise shall be made without warranties other than against the Lessor's acts.

If the Lessee shall exercise its option to effect a Termination, the Lessor may, notwithstanding such election by the Lessee, by written notice to the Lessee given within 90 days after the termination notice is given to the Lessor and upon satisfaction and discharge of the Lessor's obligations under the CSA with respect to any such Unit, elect to

retain such Unit, in which case the Lessee shall not be obligated to pay the Termination Value to the Lessor. In the event the Lessor shall so elect to retain such Unit and delivers to the Lessee evidence of the satisfaction and discharge of the Lessor's obligations under the CSA with respect to such Unit, the Lessee shall deliver such Unit to the Lessor in accordance with the provisions of § 14 hereof.

§ 8. Reports and Inspections. On or before April 30 in each year, commencing with the calendar year 1980, the Lessee will furnish to the Lessor, the Owner and the Vendor (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced and (iii) setting forth a description of the insurance in effect with respect to the Units pursuant to § 7 hereof, and (b) a certification of insurance coverage from the Lessee's independent broker stating the amounts, including deductible amounts, of such insurance in effect. The Lessor, at its sole cost and expense, shall have the right, by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor shall request and as may be reasonably necessary to confirm to the Lessor the existence and proper maintenance of the Units during the continuance of this Lease. The Lessee shall promptly notify the Lessor and the Vendor of any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Units pursuant to § 7 hereof.

The Lessee shall furnish to the Lessor the reports required to be furnished pursuant to Paragraph 8 of the Participation Agreement.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Article 13 of the CSA or of Annex A of the CSA or any other claims the Lessor may have against the Builder or others relating to the quality or performance of any Unit, any of its components or its design or construction, whether such claims be based in contract (including breach of warranty) or tort; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units and with all applicable interchange rules of the Association of American Railroads (or any of its successors), to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal hereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the CSA. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements to the Units during the term of this Lease. Any additions, modifications and improvements made by the Lessee which are readily removable without causing material damage to the Units shall be owned by the Lessee and may be removed by the Lessee at any time during the term of this Lease or any renewal hereof and prior to the return of such Units to the Lessor pursuant to § 11 or § 14 hereof, except additions, modifications and improvements required to maintain each Unit's eligibility for interchange service under the rules of the Association of American Railroads (or any of its successors) or to comply with the provisions of the first paragraph of § 7 or the first sentence of this paragraph. Any additions, modifications and improvements made to any Unit by the Lessee (i) which are not readily removable without causing material damage to such Unit, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien,

charge, security interest or encumbrance (except for those created by the CSA) shall immediately be vested in the Lessor.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (in both its individual and fiduciary capacities), the Owner and the Vendor from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability in tort and claims in which negligence, whether active or passive, or breach of warranty or contract of such indemnified party is alleged) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of, or the occurrence of a default, an event of default or an Event of Default under, the CSA, the Participation Agreement, this Lease or any sublease entered into pursuant to § 12 hereof, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease, or the transfer of title to the Units by the Vendor pursuant to any provision of the CSA. The indemnities arising under this paragraph shall continue in full force and effect with respect to all events, facts, conditions or other circumstances occurring or existing prior to the expiration or termination of the term of this Lease and return of the Units as provided in § 11 or § 14 of this Lease, notwithstanding such expiration, termination and return; provided, however, that the foregoing indemnification shall not apply to any failure of payment of the principal of or interest on the CSA Indebtedness and shall not be deemed to operate as a guaranty of the residual value of any Unit. The amount the Lessee shall be required to pay with respect to any of its obligations under this paragraph shall include a payment to the indemnified party sufficient to restore such party to the same position, after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that the indemnified party would have been in had the liability or expense indemnified against not been incurred.

The Lessee further agrees to indemnify, protect

and hold harmless the Vendor and the Builder as third party beneficiaries hereof from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor or the Builder because of the use in or about the construction or operation of any of the Units of any article or material specified by the Lessee and not manufactured by the Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to the Builder of any claim known to the Lessee as a result of which liability may be charged against the Builder under the CSA.

Except as provided in § 7 hereof, the Lessee shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any or all of the Units.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns, except as provided in § 6 hereof) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership of the Units by the Lessor or the interest of the Vendor therein or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (an "Event of Default") shall occur and be continuing:

(a) default shall be made in payment of any amount provided for in § 3 or § 7 of this Lease and such default shall continue for five business days, or default shall be made in payment of any other amount provided for in this Lease and such default shall continue for ten days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof and shall fail or refuse to cause such assignment or transfer to be canceled and

to recover possession of such Units within 15 days after written notice from the Lessor or the Vendor to the Lessee demanding the same;

(c) any of the representations and warranties of the Lessee contained in the Participation Agreement shall be or have been incorrect in any material respect as of the date when made and continue to be incorrect, or default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement or in the Consent, in either case continuing for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(d) an event of default under any mortgage, indenture of trust or other agreement evidencing indebtedness of the Lessee for borrowed money shall have occurred and be continuing, which event of default shall have caused any acceleration of the payment of any indebtedness of the Lessee for borrowed money (which payment is determined to be material in the reasonable opinion of the Vendor) and such acceleration (i) has not been waived by the obligee under such agreement or cured pursuant to the terms thereof within 60 days after the declaration of such acceleration and (ii) is not being contested in good faith by the Lessee in the reasonable opinion of the Vendor; or

(e) the occurrence of any of the following:

(i) Involuntary Bankruptcy Proceedings--a receiver, liquidator or trustee of the Lessee or of a major part of its property is appointed by court order and such order remains in effect for more than 60 days; or the Lessee is adjudicated bankrupt or insolvent; or a major part of its property is sequestered by court order and such order remains in effect for more than 60 days; or a petition is filed against the Lessee under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days after such filing;

(ii) Voluntary Petitions--the Lessee files a voluntary petition in bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of

debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under any such law; or

(iii) Assignments for Benefit of Creditors, etc.--the Lessee makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due or its willingness to be adjudicated a bankrupt, or consents to the appointment of a receiver, trustee or liquidator of the Lessee or of all or a major part of its property;

then, in any such case, the Lessor, at its option, may:

(x) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including amounts sufficient to restore the Lessor to the same net after-tax rate of return and after-tax cash position, after considering the effect of the receipt of such damages and amounts on its United States Federal income tax and state and local taxes or franchise taxes based on net income, that the Lessor would have realized or would have been in had such breach not occurred; or

(y) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall terminate as though this Lease had never been made, but the Lessee shall remain liable under this Lease to the extent that this Lease provides that the obligations of the Lessee under this Lease shall survive a termination or expiration thereof; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, sell, operate, lease to others and enjoy the same free from any right of the Lessee to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is

the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time after deduction of all reasonably estimated expenses and costs in connection with such sale; provided, however, that, in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clause of this paragraph (y) with respect to such Unit, shall have a right to recover from the Lessee, and the Lessee shall pay to the Lessor, in addition to any amount payable to the Lessor by the Lessee pursuant to §§ 6, 9 and 16 hereof, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale (after deduction of all reasonable expenses and costs in connection with such sale).

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due under this Lease before, during or after the exercise of any of the foregoing remedies and shall be liable for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives (i) any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law and (ii) any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the events set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such events or similar events.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessor may, upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Lessor, take, or cause to be taken by its agent or agents, immediate possession of each of the Units, and may remove the same from possession and use of the Lessee or any other person and for such purpose may enter upon the premises of the Lessee or any other premises where the Units may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities of the Lessee, subject to all mandatory requirements of due process of law.

If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, the standard for ordinary wear and tear to be that wear and tear which would have been suffered by units of the same type which had carried at all times, and over the same period of time, commodities of the kind ordinarily carried in units of such type by common carriers. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or any of its affiliates or, at the expense of the Lessee, on any other storage tracks, as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on any lines of railroad or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting

of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store, insure and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Units in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day after such termination to the date of delivery of such Unit to the Lessor an amount equal to the amount, if any, by which (x) the product of (i) a fraction the numerator of which is $9\frac{3}{4}\%$ and the denominator of which is 360, and (ii) the Purchase Price of such Unit exceeds (y) the actual earnings received by the Lessor with respect to such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Units pursuant to the first sentence of this paragraph.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use; Discharge of Liens. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9, 10 and 16 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns.

So long as the conditions specified in the proviso to the last paragraph of § 4 hereof are satisfied, the Lessee shall be entitled to the possession, quiet enjoyment and use of the Units, provided that the Lessee may not, except with the Lessor's and the Vendor's prior written consent, which shall not be unreasonably withheld, (a) sublease any of the Units to any sublessee other than a sublessee incorporated in the United States of America (or any state thereof or the District of Columbia), (b) sublease any of the Units to any sublessee for a term or terms that aggregate more than ten months in any one year or (c) permit any of the Units to be used by any other person, except for usage thereof in normal interchange service, any such usage to be subject to all the terms and conditions of this Lease and the CSA; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the continental United States of America and that the Units shall be used primarily for transporting petroleum coke; provided, further, however, that, subject to the provisions of § 15 hereof, the Lessee may assign or permit the assignment of any Unit to occasional service between the United States of America and Canada. Notwithstanding the immediately preceding proviso, no Unit shall be used predominantly outside the United States of America within the meaning of Section 48(a) of the Code, nor shall the Lessee sublease the Units to, or permit their use by, any person in whose hands such Units would not qualify as "Section 38" property within the meaning of the Code. Except as set forth in the last paragraph of this § 12, the Lessee may not assign this Lease to any other person. No sublease or usage permitted by the foregoing shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Any such sublease may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; provided, however, that every such sublease shall be subject to the rights and remedies of the Vendor under the CSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an event of default thereunder or an Event of Default hereunder and no such sublease shall relieve the Lessee of its obligations to the Lessor under this Lease.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge,

security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from claims against the Lessor or the Vendor not related to the ownership or leasing of, or the security title of the Vendor to, the Units) which may at any time be imposed on or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Vendor or the Lessee therein; except that this covenant will not be breached by reason of levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinions of the Lessor and the Vendor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the CSA.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in all but not less than all the Units or possession of all but not less than all the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Consent) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety or, with the prior written consent of the Lessor and the Vendor, property of the Lessee related to the operation of the Units or a portion thereof; provided, however, that (i) such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease and will have a consolidated net worth determined in accordance with generally accepted accounting principles not less than that of the Lessee immediately prior to such transaction and (ii) in the case of any such acquisition of less than all or substantially all the property of the Lessee, such acquisition shall not alter in any way the Lessee's obligation to the Lessor and the Vendor hereunder which shall be and remain those of a principal and not a surety.

§ 13. Right of Refusal. Provided that this Lease has not been earlier terminated and no Event of Default has

occurred and is continuing hereunder, in the event the Lessor, in its sole discretion, elects to sell the Units to third parties at the expiration of the term of this Lease, the Lessee shall be given written notice of such intention prior to the expiration of such term. In the event that the Lessor shall receive, prior to removal of the Units from the possession of the Lessee at the end of the term of the Lease, a bona fide offer in writing from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such offer at the expiration of such term of this Lease, the Lessor shall give written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party in writing to the Lessor. The Lessee shall have the sole right and option to purchase the Units at the higher of the fair market value of the Units ("Fair Market Value") or the price at which the Units are proposed by the Lessor to be sold, for cash or on the basis of such other terms and conditions of payment deemed acceptable by the Lessor, offered by the other party, as hereinafter provided. Within 10 business days of receipt of notice from the Lessor of the offer to purchase the Units, the Lessee may exercise such purchase right by delivery to the Lessor of a written notice specifying a date of purchase, which date shall not be later than 10 days after determination, pursuant to this § 13, of the price to be paid by the Lessee for the Units. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth therein from the date of expiration of the terms of this Lease until the date of such purchase.

Upon payment of the purchase price of the Units by the Lessee, as provided above, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties) for such Units, and such other documents as may be required to release such Units from the terms and scope of this Lease and to transfer title thereto to the Lessee or such assignee or nominee, in such forms as may reasonably be requested by the Lessee, all at the Lessee's expense.

Fair Market Value shall be agreed upon by the Lessor and the Lessee or determined as provided in the next paragraph, on the basis of (and shall be equal in amount to) the sale value which would obtain in an arm's-length transaction

between an informed and willing vendee and an informed and willing vendor under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such sale value, but there shall be excluded any sale value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to § 9 hereof; provided however, that in the determination of Fair Market Value, the existence of the Lessee's right of refusal pursuant to this § 13 shall be disregarded. Fair Market Value of the Units shall be determined upon the assumption that the Units shall have been maintained in accordance with the provisions of § 7 hereof.

If after 30 days from the giving of notice by the Lessee of the Lessee's election to exercise its right to purchase the Units as provided in this § 13, the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value, such Fair Market Value shall be determined in accordance with the provisions of the preceding paragraph of this § 13 by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of Fair Market Value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall, within 35 business days after such notice is given, appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser appointed, pursuant to the foregoing procedure, shall be instructed to determine the Fair Market Value of the Units subject to the proposed sale within 30 days after his appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser within the time period stated above, the determination of a single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance

with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the dates thereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Value, unless these are agreed upon by the Lessor and the Lessee as provided for in this § 13, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures or rights. The expense of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

§ 14. Return of Units upon Expiration of Lease Term. Upon the expiration of the original term or an extended term of this Lease with respect to any Unit which the Lessee does not purchase pursuant to § 13 hereof, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee (at not more than three locations) as the Lessee may reasonably designate, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any purchaser, lessee or user thereof, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, the standard for ordinary wear and tear to be that wear and tear which would have been suffered by units of the same type which had carried at all times, and over the same period of time, commodities of the kind ordinarily carried in units of such type by common carriers and shall meet all operating standards then in effect under the applicable rules of any governmental agency or other organization with jurisdiction provided that the Lessee shall not be required to make any additions, modifications and improvements which would not be required of the Lessee if the Lessee continued to operate the Units. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of termination of this

Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which (x) the product of (i) a fraction the numerator of which is $9\frac{3}{4}\%$ and the denominator of which is 360, and (ii) the Purchase Price of such Unit exceeds (y) the actual earnings received by the Lessor on such Unit for each such day.

§ 15. Recording. The Lessee will cause this Lease, the CSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission in accordance with 49 U.S.C. § 11303. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; provided, however, that the Lessee shall not be required to take any such action in respect of any jurisdiction outside the United States of America if (1) after giving effect to the failure to take such action, the Lessee has taken all action required by law to protect the title of the Owner-Trustee to and the security interest of the Vendor in Units having a Casualty Value (as defined in the CSA) of not less than 95% of the aggregate Casualty Value (as defined in the CSA) of all the Units then subject to this Lease, and (2) any Unit at any time located in such jurisdiction shall have been marked with the markings specified in § 5 hereof.

The Lessee will promptly furnish to the Vendor and the Lessor evidence of every such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the CSA and the assignments hereof and thereof shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Income Taxes. (a) Loss of Assumed Tax Benefits. If, for any reason whatsoever, subject to paragraph (b) of this § 16:

(i) the Owner is not allowed the benefit of current deductions for depreciation, commencing with its calendar 1979 taxable year, on any one or more of the Units placed under this Lease in such year under Section 167(a) of the Code (x) computed pursuant to any method of depreciation authorized by Section 167(b)(2) or (3) of the Code and pursuant to the asset depreciation range system of Section 167(m) of the Code and Section 1.167(a)-11 of the income tax regulations, (y) computed on the basis (A) of a net salvage value of zero, (B) that the basis of such Unit or Units under Section 167(g) of the Code is not less than the Purchase Price with respect to such Unit or Units, and (C) that such Unit or Units have an asset depreciation period of 12 years, and (z) determined on the basis of the "modified half-year convention" of Section 1.167(a)-11(c)(2)(ii) of the income tax regulations; or

(ii) the Owner is not allowed the benefit of current deductions under Section 163 of the Code for interest payable under the CSA; or

(iii) any deductions for depreciation with respect to any one or more of the Units are recaptured in whole or in part pursuant to Section 1245 of the Code or any successor provision or provisions thereto; or

(iv) any amount includible in the gross income of the Owner with respect to any one or more of the Units or any deduction allowable to the Owner with respect to such Unit or Units or with respect to any interest payable under the CSA shall be treated as derived from, or allocable to, sources outside the United States; or

(v) any amount is included, at any time prior to the end of the term of this Lease in the gross income of the Owner as a result of any repair, improvement, alteration, modification or addition (including replacement of parts) to such Unit or Units made by the Lessee (herein called a "Capital Expenditure");

(any such failure to allow, such recapture, such treatment

of income or deductions as derived from or allocable to sources without the United States, or such inclusion in gross income as a result of a Capital Expenditure being herein called a "Loss"), then, subject to paragraph (b) of this § 16, the Lessee shall pay to the Owner as an indemnity the amount set forth in paragraph (d) of this § 16 at the time or times set forth therein.

(b) Excluded Events. The Lessee shall not be required, however, to indemnify the Owner with respect to any Loss that results solely and directly from:

(i) a Casualty Occurrence, if the Lessee has made all payments with respect thereto that are required to be made pursuant to § 7 hereof;

(ii) a voluntary disposition by the Owner of its beneficial interest in any Unit or Units, if such disposition (x) shall be the direct cause of such Loss with respect to such Unit or Units, (y) shall occur at a time while no Event of Default (and no event that, with the lapse of time or the giving of notice, or both, would constitute an Event of Default) has occurred and is continuing, and (z) shall not be pursuant to the written consent of the Lessee;

(iii) the failure of the Owner to claim in a timely and proper manner on its income tax returns for the appropriate years any deductions contemplated by paragraph (a) of this § 16, unless the Owner shall have been advised by Messrs. Donovan Leisure Newton & Irvine, or other independent tax counsel selected by the Owner and approved by the Lessee (which approval shall not be unreasonably withheld), that there is no reasonable basis for claiming any such deduction;

(iv) the failure of the Owner to have sufficient income to benefit from such depreciation or interest deductions;

(v) the failure of the Owner to take timely action in contesting a claim made by the Internal Revenue Service, but only if such action is required by the terms of paragraph (c) of this § 16;

(vi) any amendment to, or change in, the Code, the income tax regulations thereunder or published administrative interpretations of the Code or such

regulations, which change or amendment is not enacted or adopted on or prior to December 31, 1979; or

(vii) any act, or failure to act, at any time, by the Owner or any of its officers, employees or agents, which is inconsistent with the Owner's obligations under the Trust Agreement and the Participation Agreement, except at a time when an Event of Default (or an event that, with the lapse of time or the giving of notice, or both, would constitute an Event of Default) has occurred and is continuing.

(c) Proceedings. If at the conclusion of any audit the Owner receives a preliminary or "30 day" letter from the Internal Revenue Service proposing an adjustment in any item that, if agreed to by the Owner, would result in a Loss with respect to which the Lessee would be required to indemnify the Owner pursuant to this § 16, the Owner shall promptly notify the Lessee of such proposed adjustment and shall furnish to the Lessee a statement describing such Loss in reasonable detail. If requested to do so by the Lessee, within 20 days after receipt of such statement, the Owner shall promptly request from Messrs. Donovan Leisure Newton & Irvine, or such other independent tax counsel as may be selected by the Owner and approved by the Lessee (the "Special Tax Counsel"), their opinion as to whether there is a meritorious basis for contesting such proposed adjustment. If the opinion is to the effect that there is a meritorious basis for contesting such proposed adjustment, the Owner shall contest such proposed adjustment beyond the level of the Internal Revenue Service auditing agent by such administrative proceedings, if any, as may be determined by the Owner in its sole discretion. Upon the conclusion of such administrative proceedings, if any, the Owner shall promptly notify the Lessee of the final adjustment proposed by the Internal Revenue Service and, if the Owner receives within 30 days after such notice a written request to do so from the Lessee, the Owner shall contest such final adjustment in a court of competent jurisdiction. If the Lessee requests the Owner to appeal the decision of such a court or of any intermediate appellate court, the Owner shall promptly request from Special Tax Counsel their opinion as to whether there is a meritorious basis for appealing such decision. If the opinion is to the effect that there is a meritorious basis for appealing such decision, the Owner shall appeal such decision. The Owner, in its sole discretion, shall

determine the initial and any appellate court and shall determine whether the proceedings shall be for redetermination of the deficiency proposed to be assessed by the Internal Revenue Service or for refund of taxes paid based on such deficiency. The Owner shall not be required to take any action as set forth in this paragraph (c) unless and until the Lessee shall have agreed to indemnify the Owner in a manner satisfactory to it for any Loss that results from an adverse determination with respect to the proposed adjustment and shall have agreed to pay to the Owner on demand all reasonable out-of-pocket costs and expenses, including without limitation attorneys' fees and expenses incurred by it in connection with the taking of such action. If the Owner elects to pay taxes based on a proposed deficiency and sue for a refund thereof, and if the proposed deficiency would be a Loss with respect to which the Lessee would be required to indemnify the Owner, then the Lessee shall pay to the Owner on demand the amount of such taxes and interest thereon which the Owner shall have paid, and if the Owner subsequently receives a refund of all or any part of such taxes and interest, it shall promptly pay to the Lessee the amount of such refunded taxes and interest plus the amount of any interest received by the Owner from the United States Government with respect to such refunded taxes and interest. Notwithstanding anything to the contrary contained in this paragraph (c), the Owner may at any time, whether before or after commencing to take any action with respect to a proposed adjustment, decline to take any further action with respect thereto, provided that, if the Lessee has properly requested such action pursuant to this paragraph (c), the Owner notifies the Lessee that it waives its right to any indemnity with respect to any Loss that will result from acceptance of such proposed adjustment.

(d) Amount and Time of Payment of Indemnity. The amount of indemnity payable by the Lessee pursuant to this § 16 with respect to a Loss shall be such amount as will result, in the Owner's reasonable judgment, in preserving for the Owner both the after-tax rate of return and the after-tax cash flow that would have been realized by the Owner if such Loss had not occurred, based on the rates of Federal, state and local taxes on, based on, or measured by, net income in effect from time to time. The amount of such payment of indemnity shall reflect (A) the amount of interest, additions to tax and penalties payable by the Owner with respect to such Loss, (B) the amount of Federal, state and local taxes on, based on, or measured by, net income (at the rates in effect from time to time), interest, additions to

tax and penalties incurred by the Owner as a result of the receipt of such indemnity payment, and (C) any amount paid by the Lessee to the Owner pursuant to the next-to-last sentence of paragraph (c) of this § 16 which has not been repaid by the Owner to the Lessee pursuant to such sentence. The Owner shall furnish the Lessee with a notice setting forth in reasonable detail the computations and methods used in computing such amount of indemnity.

In determining the amount of indemnity payable by the Lessee pursuant to this § 16 with respect to a Loss which results from a Capital Expenditure, there shall be taken into account any investment credits and depreciation deductions to which the Owner is or expects to be entitled with respect to such Capital Expenditure in the year in which the Capital Expenditure is made and in subsequent years, but if any such investment credits or depreciation deductions are subsequently disallowed, recaptured or treated as derived from or allocable to sources outside the United States, such disallowance, recapture or allocation shall be treated as a Loss described in clause (i), (iii) or (iv) of paragraph (a) of this § 16, as the case may be.

The Lessee's obligation to pay any indemnity payable pursuant to this § 16 with respect to a Loss shall become unconditional (1) in the case of a Loss that is required to be reflected on a tax return of the Owner, 30 days after the date such tax return is filed; (2) in the case of a Loss that results from a proposed adjustment of the Internal Revenue Service that is not contested pursuant to paragraph (c) of this § 16, 30 days after the Lessee's receipt of the statement referred to in the first sentence of paragraph (c) of this § 16; and (3) in the case of a Loss that results from a proposed adjustment of the Internal Revenue Service that is contested pursuant to paragraph (c) of this § 16, 30 days after the day on which such contest is finally concluded.

The Lessee shall pay to the Owner a lump-sum indemnity at the time its obligation to pay indemnity pursuant to this § 16 becomes unconditional with respect to any Loss if the Lessee's obligation to pay indemnity pursuant to this § 16 becomes unconditional on or after the termination of this Lease. Any other indemnity payable pursuant to this § 16 shall be structured as level future rent increases, and the Lessee shall commence payment of such increased rent on the first rental payment date

after Lessee's obligation to pay indemnity pursuant to this § 16 becomes unconditional. The amount of rental resulting from any one Loss shall be adjusted from time to time for each change in the Code and the income tax regulations (including, without limitation, tax rates) which affects the Owner's net after-tax rate of return and after-tax cash flow.

In the event that indemnity payments are made by the Lessee with respect to a Loss described in clause (iv) of paragraph (a) of this § 16, the Owner shall pay to the Lessee an amount equal to the aggregate net reduction in Federal income taxes, if any, realized by the Owner during any taxable year subsequent to the year of such Loss resulting from an increase in its foreign tax credit allowable for such year, which is attributable solely to the Owner's realizing foreign source taxable income for such year in connection with the transaction described in this Lease and related documents; provided, however, that the Owner shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments with respect to a Loss described in clause (iv) of paragraph (a) of this § 16 by the Lessee to the Owner, less (y) the amount of all prior payments by the Owner to the Lessee pursuant to this paragraph with respect to such Loss; and provided, further, that any decrease (which is attributable solely to the Owner's realizing foreign source tax losses in connection with the transaction described in the Lease and related documents) in such foreign tax credit allowable for such year resulting from an audit of the Owner's tax return for such year, or from a foreign tax credit carry-back from a subsequent year, shall be treated as a Loss described in clause (iv) of paragraph (a) of this § 16.

(e) Adjustment of Casualty and Termination Values.

In the event that the Lessee shall be required to indemnify the Owner pursuant to this § 16 with respect to a Loss relating to a Unit or Units, the Casualty and Termination Value of such Unit or Units shall be appropriately reduced to reflect the reduction, if any, in taxes that will be payable by the Owner with respect to such Unit or Units upon a Casualty Occurrence or Termination with respect thereto; provided, however, that such Casualty and Termination Values shall not be reduced below the amounts required to satisfy the obligations of the Lessor under the CSA.

(f) Definition of Owner. For purposes of this § 16, the term "Owner" shall include any affiliated group, within the meaning of section 1504 of the Code, of which the Owner is a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

(g) Payments of Indemnity. All payments of indemnity made pursuant to this § 16, whether payable in a lump sum or in the form of increases in future rental payments, shall be made by the Lessee directly to the Owner by transfer of immediately available funds to the account of the Owner specified in paragraph (c) of Section 2.01 of the Trust Agreement or to such other account or in such other manner as the Owner from time to time shall have identified in written instructions given to the Lessee.

(h) Pass-through to Lessee of Investment Credit. The Lessor and the Lessee agree that the Lessor will, in accordance with Section 48(d) of the Code and the regulations thereunder, execute and file with the Lessee an election to treat the Lessee as having acquired the Units for purposes of the investment credit provided by Section 38 and related sections of the Code so that the Lessee may receive the benefit of such credit to the extent it is available in respect of "new section 38 property" as defined in Section 48(b) of the Code; provided, however, that the Lessor shall not be in any way responsible for the Lessee's failure to obtain the benefits of such investment credit and the Lessee shall be solely responsible for the preparation and filing of all documents necessary to effect such election and shall timely furnish the Lessor with all documents required to be signed and filed by the Lessor in respect of the proper making of such election and shall specify in its letter transmitting the election documents to the Lessor the date on which such election is required to be made.

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, interest at a rate per annum equal to 10-3/4% on the overdue rentals and other obligations for the period of time during which they are overdue (without reference to any grace periods provided for in § 10 hereof) or such lesser amount as may be legally enforceable.

§ 18. Notices. Any notice (or report pursuant to § 8 hereof) required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department; and

(b) if to the Lessee, at 299 Park Avenue, New York, N.Y. 10017, Attention of Vice President and Treasurer,

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at 151 Farmington Avenue, Hartford, Connecticut 06156, Attention of Bond Investment Department, and to the Owner at 2700 Sanders Road, Prospect Heights, Illinois 60070, Attention of Carl W. Giessel, Vice President.

§ 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the Trust Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee and, so long as the CSA Indebtedness or any other obligation of the Lessor under the CSA remains outstanding and if such variation, modification or waiver shall materially affect the interests of the Vendor, approved by the Vendor.

§ 20. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the assignment hereof to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that

the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

§ 22. Definitions. Whenever the term "Lessor" is used in this Lease, it shall also include the Owner and any assignee of the Owner and, where the context so requires (including but not limited to certain of the provisions of § 6 hereof), shall, except for purposes of any assignment of the "Lessor's" rights under this Lease, refer only to the Owner or such assignee of the Owner.

§ 23. Concerning the Lessor. Each and all of the warranties, representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal warranties, representations, undertakings and agreements by The Connecticut Bank and Trust Company, or for the purpose or with the intention of binding said bank personally, but are made and intended for the purpose of binding only the Trust Estate, as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank, except for its wilful misconduct or gross negligence, or against the Owner on account of any warranty, representation, undertaking or agreement herein of the Lessor or the Owner, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

GREAT LAKES CARBON CORPORATION,

[Corporate Seal]

by

Attest:

Shirley L. Gray

John O. Sachs *dra*
President

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee as aforesaid,

[Corporate Seal]

by

Attest:

Authorized Officer

STATE OF NEW YORK,)
) ss.:
 COUNTY OF NEW YORK,)

On this 16th day of May 1979, before me personally appeared John P. Sachs, to me personally known, who, being by me duly sworn, says that he is a Vice President of GREAT LAKES CARBON CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Teresa Brown
 Notary Public

[Notarial Seal]

My Commission expires TERESA BROWN
 Notary Public, State of New York
 No. 31-5486185
 Qualified in New York County
 Commission Expires March 30, 1980

STATE OF CONNECTICUT,)
) ss.:
 COUNTY OF HARTFORD,)

On this day of 1979, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was a free act and deed of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand.

Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE 1 TO LEASE

<u>Builder</u>	<u>Type</u>	<u>AAR</u>		<u>Builder's Plant</u>	<u>Quantity</u>	<u>Unit Base Price*</u>	<u>Total Base Price</u>	<u>Road Numbers (Inclusive)</u>	<u>Place and Assumed Time of Delivery</u>
		<u>Mechanical Designation</u>	<u>Builder's Specifications</u>						
Thrall Car Manu- facturing Company	100-ton Covered Hopper with continuous trough hatches	LO	No. HC-100-47-163 constructed under Builder's Job Order No. 736-A	Chicago Heights, Illinois	100	\$35,523.08	\$3,552,308	GLCX 7000-7099	May and June, 1979 at Davenport, Iowa

* Includes inspection and engineering costs but is subject to increase or decrease in accordance with the Purchase Orders. Such Unit Base Price shall also be increased by an amount equal to the Builder's cost of transporting and insuring the units of Equipment from Builder's plant to Davenport, Iowa.

SCHEDULE 2 TO LEASE
CASUALTY VALUES

<u>Payment Date</u>	<u>Percentage of Purchase Price</u>
7/15/79	107.8969
8/15/79	108.0399
9/15/79	108.1582
10/15/79	108.2656
11/15/79	108.3738
12/15/79	108.4571
1/15/80	108.5292
2/15/80	108.6018
3/15/80	108.6493
4/15/80	108.6993
5/15/80	108.7497
6/15/80	108.7748
7/15/80	108.8024
8/15/80	108.8301
9/15/80	108.8324
10/15/80	108.8370
11/15/80	108.8416
12/15/80	108.8206
1/15/81	108.8016
2/15/81	108.7826
3/15/81	108.7378
4/15/81	108.6980
5/15/81	108.6579
6/15/81	108.5919
7/15/81	108.5308
8/15/81	108.4692
9/15/81	108.3816
10/15/81	108.2987
11/15/81	108.2152
12/15/81	108.1054
1/15/82	108.0003
2/15/82	107.8944
3/15/82	107.7621
4/15/82	107.6362
5/15/82	107.5093
6/15/82	107.3560
7/15/82	107.2088
8/15/82	107.0606
9/15/82	106.8871
10/15/82	106.7211
11/15/82	106.5555
12/15/82	106.3644
1/15/83	106.1808
2/15/83	105.9974
3/15/83	105.7885
4/15/83	105.5889
5/15/83	105.3894
6/15/83	105.1644
7/15/83	104.9486
8/15/83	104.7328
9/15/83	104.4914
10/15/83	104.2592
11/15/83	104.0269
12/15/83	103.7689

1/15/84	103.5199
2/15/84	103.2709
3/15/84	102.9961
4/15/84	102.7321
5/15/84	102.4680
6/15/84	102.1781
7/15/84	101.8990
8/15/84	101.6196
9/15/84	101.3144
10/15/84	101.0199
11/15/84	100.7251
12/15/84	100.4043
1/15/85	100.0943
2/15/85	99.7838
3/15/85	99.4474
4/15/85	99.1234
5/15/85	98.7991
6/15/85	98.4487
7/15/85	98.1108
8/15/85	97.7724
9/15/85	97.4079
10/15/85	97.0558
11/15/85	96.7032
12/15/85	96.3244
1/15/86	95.9580
2/15/86	95.5911
3/15/86	95.1979
4/15/86	94.8189
5/15/86	94.4394
6/15/86	94.0335
7/15/86	93.6419
8/15/86	93.2497
9/15/86	92.8311
10/15/86	92.4267
11/15/86	92.0216
12/15/86	91.5902
1/15/87	91.1729
2/15/87	90.7549
3/15/87	90.3105
4/15/87	89.8821
5/15/87	89.4530
6/15/87	88.9975
7/15/87	88.5580
8/15/87	88.1177
9/15/87	87.6509
10/15/87	87.2002
11/15/87	86.7487
12/15/87	86.2707

1/15/88	85.8087
2/15/88	85.3458
3/15/88	84.8565
4/15/88	84.3851
5/15/88	83.9128
6/15/88	83.4141
7/15/88	82.9332
8/15/88	82.4515
9/15/88	81.9433
10/15/88	81.4530
11/15/88	80.9618
12/15/88	80.4442
1/15/89	79.9444
2/15/89	79.4438
3/15/89	78.9167
4/15/89	78.4094
5/15/89	77.9012
6/15/89	77.3666
7/15/89	76.8518
8/15/89	76.3362
9/15/89	75.7941
10/15/89	75.2718
11/15/89	74.7488
12/15/89	74.1993
1/15/90	73.6696
2/15/90	73.1392
3/15/90	72.5823
4/15/90	72.0472
5/15/90	71.5114
6/15/90	70.9492
7/15/90	70.4088
8/15/90	69.8677
9/15/90	69.3003
10/15/90	68.7548
11/15/90	68.2085
12/15/90	67.6360
1/15/91	67.0853
2/15/91	66.5341
3/15/91	65.9565
4/15/91	65.4000
5/15/91	64.8429
6/15/91	64.2595
7/15/91	63.7010
8/15/91	63.1420
9/15/91	62.5569
10/15/91	61.9967
11/15/91	61.4360
12/15/91	60.8493

1/15/92	60.2876
2/15/92	59.7256
3/15/92	59.1375
4/15/92	58.5745
5/15/92	58.0113
6/15/92	57.4221
7/15/92	56.8581
8/15/92	56.2939
9/15/92	55.7038
10/15/92	55.1390
11/15/92	54.5741
12/15/92	53.9835
1/15/93	53.4182
2/15/93	52.8529
3/15/93	52.2619
4/15/93	51.6964
5/15/93	51.1309
6/15/93	50.5398
7/15/93	49.9744
8/15/93	49.4090
9/15/93	48.8182
10/15/93	48.2531
11/15/93	47.6883
12/15/93	47.0980
1/15/94	46.5336
2/15/94	45.9695
3/15/94	45.3801
4/15/94	44.8167
5/15/94	44.2537
6/15/94	43.6656
7/15/94	43.1037
8/15/94	42.5422
9/15/94	41.9511
10/15/94	41.3815
11/15/94	40.8078
12/15/94	40.2045
1/15/95	39.6225
2/15/95	39.0364
3/15/95	38.4206
4/15/95	37.8261
5/15/95	37.2273
6/15/95	36.5987
7/15/95	35.9914
8/15/95	35.3797
9/15/95	34.7381
10/15/95	34.1176
11/15/95	33.4927
12/15/95	32.8378

1/15/96	32.2038
2/15/96	31.5655
3/15/96	30.8970
4/15/96	30.2494
5/15/96	29.5972
6/15/96	28.9148
7/15/96	28.2532
8/15/96	27.5870
9/15/96	26.8904
10/15/96	26.2146
11/15/96	25.5340
12/15/96	24.8229
1/15/97	24.1325
2/15/97	23.4372
3/15/97	22.7114
4/15/97	22.0061
5/15/97	21.2958
6/15/97	20.5805
7/15/97 and thereafter	20.0000

SCHEDULE 3 TO LEASE

TERMINATION VALUES

<u>Payment Date</u>	<u>Percentage of Purchase Price</u>
7/15/86	96.5601
1/15/87	93.9675
7/15/87	90.8898
1/15/88	88.0213
7/15/88	84.7225
1/15/89	81.6211
7/15/89	78.1505
1/15/90	74.8650
7/15/90	71.2783
1/15/91	67.8636
7/15/91	64.2130
1/15/92	60.7243
7/15/92	57.0965
1/15/93	53.6012
7/15/93	50.0368
1/15/94	46.5656
7/15/94	43.1037
1/15/95	39.6225
7/15/95	35.9914
1/15/96	32.2038
7/15/96	28.2532
1/15/97	24.1325
7/15/97	20.0000

EXHIBIT A

CERTIFICATE OF ACCEPTANCE

Dated: , 1979, at Davenport, Iowa.

TO THRALL CAR MANUFACTURING COMPANY:

I, a duly appointed and authorized representative of Great Lakes Carbon Corporation (the "Lessee"), and a duly authorized representative and agent of The Connecticut Bank and Trust Company, as Owner-Trustee (the "Owner-Trustee"), do hereby certify that the units of railroad equipment specified in Annex A hereto have been inspected and approved at your plant, and delivery thereof has been received and accepted at Davenport, Iowa, on behalf of the Lessee under a Lease of Railroad Equipment dated as of March 15, 1979, between the Lessee and the Owner-Trustee and on behalf of the Owner-Trustee under a Conditional Sale Agreement dated as of March 15, 1979, between the Owner-Trustee, as Trustee for Fourteenth HFC Leasing Corporation and Thrall Car Manufacturing Company.

I do further certify that the foregoing cars are in good order and condition and conform to the specifications applicable thereto and to all United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards if any recommended by the Association of American Railroads reasonably interpreted as being applicable to each such unit of equipment.

In addition, I further certify that there was plainly, distinctly, permanently and conspicuously placed, in letters not less than one inch in height, the following legend:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION".

The execution of this Certificate will in no way relieve Thrall Car Manufacturing Company of its duty or decrease its responsibility to produce and deliver the railroad equipment indicated above in accordance with the terms of a Conditional Sale Agreement dated as of March 15, 1979, covering such equipment, subject to any warranties therein contained.

Inspector and Authorized
Representative of GREAT LAKES
CARBON CORPORATION, and Agent
for THE CONNECTICUT BANK AND
TRUST COMPANY, as Owner-Trustee

ANNEX A TO CERTIFICATE OF ACCEPTANCE

Type of Cars: 100-ton covered hopper with continuous trough
hatches

Place Accepted: Davenport, Iowa.

No. of
Units

Date Accepted

Road Nos.

LEASE OF RAILROAD EQUIPMENT

Dated as of March 15, 1979

between

GREAT LAKES CARBON CORPORATION

and

THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee

Lease of Railroad Equipment

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LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1979, between GREAT LAKES CARBON CORPORATION, a Delaware corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, acting not in its individual capacity but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with Fourteenth HFC Leasing Corporation (the "Owner").

WHEREAS, pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Lessee, the Lessor, the Owner, HFC Leasing Inc. and Aetna Life Insurance Company (hereinafter, with its successors and assigns, called the "Vendor"), the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with Thrall Car Manufacturing Company (the "Builder"), wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule 1 hereto (the "Equipment");

WHEREAS the Builder is assigning its interest in the CSA to the Vendor;

WHEREAS the Lessor is assigning its interest in this Lease to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment"); and

WHEREAS the Lessee desires to lease such number of units of the Equipment as are delivered and accepted under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not

limited to, any abatement, reduction or setoff due, or alleged to be due, by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the CSA, or against the Builder or the Owner or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, any prohibition or restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding involving the Lessee, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA, and consents to the appointment of ITEL Corporation, Rail Division ("ITEL"), as the Lessee's agent for such inspection and acceptance. The Lessor will cause the Units to be delivered to the Lessee at the point within the United States of America at which the Units are delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee or agent of the Lessee to determine that the same has been delivered in good order and, if such Unit is found to be in good order and has been inspected and approved by an authorized representative of the Lessee at the Builder's plant, to accept delivery of such Unit, and the Lessee shall execute and deliver to the Lessor a certificate of acceptance (the "Certificate of

Acceptance") in the form set forth in Exhibit A hereto in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date set forth in such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the CSA pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Lease.

§ 3. Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease, in arrears, one interim and 216 consecutive monthly rental payments. The interim rental payment for each Unit subject to this Lease is payable on July 16, 1979, and shall be in an amount equal to the product of the Purchase Price for such Unit (as defined in the CSA) multiplied by .02672% for each day elapsed from and including the Closing Date (as defined in the CSA) for such Unit to but not including July 15, 1979. The 216 monthly rental payments shall each be in an amount equal to 0.865463% of the Purchase Price of each such Unit then subject to this Lease, and shall be payable on the fifteenth day of each month, commencing August 15, 1979. In addition to the foregoing rentals, the Lessee agrees to pay to the Lessor, as additional rental on July 16, 1979, an amount equal to the payment required to be made by the Lessor pursuant to the proviso of the first sentence of Paragraph 9 of the Participation Agreement.

The Lessee and the Lessor agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule 2 hereto and the Termination Value percentages set forth in Schedule 3 hereto will be adjusted upward or downward to reflect (A) any amendment to, or change in, the Internal Revenue Code of 1954, as amended (the "Code"), the income tax regulations thereunder or published administrative interpretations of the Code or such regulations, which change or amendment is enacted or adopted on or before December 31, 1979, and (B) the delivery of any Unit or Units after June 30, 1979. Such adjustments will be effective as of the rental payment date next following such amendment or change, or such difference in delivery schedule, as the case may be, and will be made in such manner as will result, in

the Owner's reasonable judgment, in preserving for the Owner both the after-tax rate of return and the after-tax cash flow that would have been realized by the Owner had such amendment or change, or such difference in delivery schedule, as the case may be, not occurred, based on the rates of Federal, state and local taxes on, based on, or measured by, net income in effect from time to time. Notwithstanding anything herein, the rentals payable and Casualty Value and Termination Value percentages will never be less than those amounts and percentages required to enable the Lessor to satisfy its obligations under the CSA and to satisfy the pretax cash flow and profit requirements of Section 4(6) of Rev. Proc. 75-21, 1975-1 Cum. Bul. 715. The Owner shall furnish the Lessee and the Vendor prior to the effective date of such adjustments with a notice setting forth in reasonable detail the computations and methods used in computing the adjustments.

If any rental payment date referred to above is not a business day the rental otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, Hartford, Connecticut, or New York, New York, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee as long as any of the CSA Indebtedness (as defined in the CSA) is outstanding, to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, to the Vendor (or as the Vendor may otherwise specify in writing to the Lessee), at the address and by the method specified in the Consent and Agreement, dated as of the date hereof, attached to the Lease Assignment (the "Consent"), for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the CSA, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing; provided, however, that, so long as and only so long as no default in payment by the Lessee of any amount provided for in the first three sentences of the first paragraph of this § 3 or in the second, thirteenth or fourteenth paragraph of § 7 hereof, shall have occurred and be continuing, the Lessee shall make all payments provided for in §§ 6, 9 and 16 hereof directly to the person entitled to receive them, as provided in the Lease Assignment. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds

immediately available to the Vendor or the Lessor, as the case may be, by 11:00 a.m., New York time, on the date such payment is due. From and after the date of payment in full of all obligations of the Lessor under the CSA, all such payments shall be made directly to the Lessor.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10, 13 and 14 hereof, shall expire on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee under §§ 6, 7, 9, 14 and 16 hereof shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights and remedies of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Payments (as defined in the Lease Assignment) are being made to and applied by the Vendor in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession and use provided under § 12 hereof.

§ 5. Identification Marks. The Lessee (at its own expense) will cause each Unit to be kept numbered with the road number set forth in Schedule 1 hereto or, in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace

promptly any such markings which may be removed, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, and that no other filing, deposit or giving of notice with any Federal, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor (in both its individual and fiduciary capacities) for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax payable by the Lessor and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax, and other than the aggregate of all state or local taxes measured by net income and value added taxes in lieu of such net income taxes, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the CSA, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions

which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or the interest of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as such imposition remains unpaid and Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such impositions, or the Lessor is required to contest such impositions as provided in this § 6, and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or of the Lessor or the Vendor under the CSA. The Lessee agrees to give the Lessor notice of any such contest brought in the Lessee's name prior to or within 30 days after institution thereof, and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall pay the Lessor on presentation of an invoice therefor if the Lessor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Lessor) or the Lessee shall have approved the payment thereof, and the Lessor agrees to give the Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such imposition, as hereinafter provided in this § 6.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to Article 6 of the CSA not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor to fulfill completely the Lessor's obligations pursuant to said provision; provided, however, that the Lessee shall not thereby become obligated to make any payment on behalf of the Lessor or any other person of the type it is not obligated to make to the Lessor by reason of the exceptions set forth in the first sentence of this § 6.

In the event any returns, statements or reports with respect to impositions involving any Unit are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Vendor in such Units and as shall be satisfactory to them or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to them within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to them.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

In the event the Lessee may be prohibited by law or is impaired from contesting in its own name any imposition covered by this § 6 in respect of which the Lessee would otherwise be required to make payments to the Lessor pursuant hereto, the Lessor shall, upon request and at the expense of the Lessee, take all legal and other appropriate action reasonably requested by the Lessee to contest such imposition. The Lessor shall not be obligated to take any such action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein. The Lessee shall indemnify and hold the Lessor (in both its individual and fiduciary capacities) harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred as a result of, or incident to, any action taken by the Lessor or Lessee under this § 6. The Lessee shall be entitled to any refund (plus interest, if any) received by the Lessor or the Lessee in respect of any imposition paid by the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances with respect to, or furnish other evidence satisfactory to the Lessor of, the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's

compliance with the requirements of taxing jurisdictions, including, but not limited to, data as to any use of any Unit outside the United States of America.

The amount which the Lessee shall be required to pay with respect to any imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the Lessor to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment and such imposition on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that the Lessor would have had or been in had such imposition not been imposed.

§ 7. Maintenance; Casualty Occurrences; Termination; Insurance. The Lessee agrees that, at the Lessee's own cost and expense, it will be responsible for ordinary maintenance and repairs required to maintain and keep all of the Units which are subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, and eligible for interchange service under the applicable rules of the American Association of Railroads (or any of its successors).

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of the CSA or for an indefinite period, but only when such indefinite period shall have exceeded the term of the CSA, or by any political subdivision of the United States of America or any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of

this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit and the Lessee shall pay all costs of removal of such Unit and of freight to the place designated pursuant to § 14 hereof.

The Casualty Value of each Unit as of the rental payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule 2 hereto opposite such date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease at the expiration of the term hereof and before the end of the storage period provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

The Lessor hereby irrevocably appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis, such disposition and all expenses related thereto to be at Lessee's cost and expense. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

In the event of the requisition for use (which is not a Casualty Occurrence) by the United States Government or by any political subdivision of the United States of America or by any other governmental entity (hereinafter called the "Government") of any Unit during the term of this Lease, all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of

the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or § 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall in all other respects comply with the provisions of said § 11 or § 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease, shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee shall, at its sole expense, obtain and maintain in full force and effect from the time any Unit is accepted by the Lessee and throughout the term of this Lease and during any storage period as provided in §§ 11 or 14 hereof, on each Unit from time to time subject hereto, with such insurers as are reasonably satisfactory to the Lessor and the Vendor (i) insurance in the amount of at least \$4,000,000 per occurrence against all risks of physical loss of, or damage to, the Units and (ii) public liability and property damage insurance in the amount of at least \$11,000,000 per occurrence covering liability for personal injuries, death or property damage resulting from the ownership, maintenance, use or operation of the Units; provided, however, that in the case of property insurance, the Lessee, at its option, may self-insure the Units to the extent it typically self-insures similar equipment and to the extent such self-insurance, including any program of risk assumption, is consistent with prudent industry practice. All insurance policies required hereby shall, without limitation of the foregoing, (i) require 30 days' prior written notice of cancelation or material change in coverage to the Lessor, the Owner and the Vendor and (ii) name the Lessor (in both its individual and fiduciary capacities), the Owner and the Vendor as loss payees as their respective interests may appear, in the case of property

insurance, and as additional named insureds, in the case of liability insurance, and (iii) shall provide that in respect of the interests of the Lessor, the Owner and the Vendor in such policies, the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor, the Owner and the Vendor) and shall insure the Lessor, the Owner and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor, the Owner or the Vendor). The Lessee shall furnish to the Lessor prior to the acceptance date of any Unit and upon request throughout the term of this Lease evidence of insurance satisfactory to the Lessor and the Vendor showing the existence of the insurance required hereunder. The property insurance referred to in this § 7 may be written with such deductible amounts as the Lessee deems appropriate but not in excess of deductible amounts applicable to property insurance carried by the Lessee on other railroad rolling stock owned or operated by the Lessee and, in any event, only to the extent such deductible amounts are consistent with prudent industry practice.

In the event of failure on the part of the Lessee to provide and furnish any of the aforesaid insurance, the Lessor or the Vendor, upon notice to the Lessee, may, but shall not be obligated to, procure such insurance and the Lessee shall, upon demand, reimburse the Lessor and the Vendor for all reasonable expenditures made by the Lessor or the Vendor for such insurance, together with interest thereon computed at the maximum rate of interest permitted by law, but not more than 10-3/4% per annum, from the date of the Vendor's or the Lessor's payment until reimbursed by the Lessee.

If the Lessor shall receive any insurance proceeds (other than on policies for which the Lessor has paid premiums) or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to such Unit having suffered a Casualty Occurrence and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor from the Lessee's insurance coverage in respect of any Unit not suffering a

Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired and so long as no Event of Default (as defined in § 10 hereof) is continuing under this Lease.

In the event that the Lessee shall, in its reasonable judgment, determine that the Units remaining under this Lease have become economically obsolete or surplus to the Lessee's requirements in the Lessee's business, the Lessee shall have the right, at its option and on at least 180 days' prior written notice to the Lessor, to terminate (which act shall hereinafter be called the "Termination") this Lease as to all but not less than all of such Units as of any succeeding rental payment date specified in such notice (such termination date so specified being hereinafter called the "Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than July 15, 1986, nor later than July 15, 1997, (ii) the Termination Date shall be July 15 or January 15 of the year in which the Termination occurs, (iii) no Event of Default or other event which after the lapse of time or the giving of notice or both would become an Event of Default shall have occurred and be continuing on such date, and (iv) on the Termination Date all Units shall be in the condition required for redelivery pursuant to § 14 hereof.

During the period after the giving of such notice until the fifth business day preceding the Termination Date, the Lessee shall use its best efforts to obtain bids for the purchase of each such Unit, and the Lessee shall at least five business days prior to such Termination Date certify to the Lessor the amount of each such bid and the name and address of the party (which shall not be a corporation, other entity or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Unit) submitting such bid. On the Termination Date the Lessor shall sell each such Unit for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at each such sale shall be retained by the Lessor.

On such Termination Date, the Lessee shall pay to the Lessor with respect to each such Unit an amount equal to (i) the excess, if any, of the Termination Value (as hereinafter defined) for each such Unit computed as of such date

over the sale price of any such Unit so sold after the deduction of all expenses incurred by the Lessor in connection with such sale and (ii) the rental payment with respect to each such Unit due on such Termination Date. The Termination Value of each such Unit as of the Termination Date on which payment is to be made shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule 3 hereto opposite such date. In no event shall the aggregate amount of sale proceeds retained by the Lessor and payments of rental and Termination Value received by the Lessor as aforesaid be less than the Termination Value (as defined in the CSA) with respect to such Units as of such Termination Date.

If no sale of the Units shall occur on the Termination Date with respect thereto as provided above, this Lease shall continue in full force and effect without change unless and until the Lessee pays the Lessor an amount equal to the Termination Value of such Unit as of such Termination Date and any rental payment due with respect thereto on such Termination Date and returns any unsold Unit to the Lessor pursuant to § 14 hereof.

Upon the receipt by the Lessor of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 3 hereof in respect of such Unit on each rental payment date shall continue to and including the Termination Date but shall then terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale other than to transfer or to cause to be transferred all of the Lessor's right, title and interest in and to such Unit to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided. Any such sale shall be free and clear of all of the Lessee's rights to such Unit, but otherwise shall be made without warranties other than against the Lessor's acts.

If the Lessee shall exercise its option to effect a Termination, the Lessor may, notwithstanding such election by the Lessee, by written notice to the Lessee given within 90 days after the termination notice is given to the Lessor and upon satisfaction and discharge of the Lessor's obligations under the CSA with respect to any such Unit, elect to

retain such Unit, in which case the Lessee shall not be obligated to pay the Termination Value to the Lessor. In the event the Lessor shall so elect to retain such Unit and delivers to the Lessee evidence of the satisfaction and discharge of the Lessor's obligations under the CSA with respect to such Unit, the Lessee shall deliver such Unit to the Lessor in accordance with the provisions of § 14 hereof.

§ 8. Reports and Inspections. On or before April 30 in each year, commencing with the calendar year 1980, the Lessee will furnish to the Lessor, the Owner and the Vendor (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced and (iii) setting forth a description of the insurance in effect with respect to the Units pursuant to § 7 hereof, and (b) a certification of insurance coverage from the Lessee's independent broker stating the amounts, including deductible amounts, of such insurance in effect. The Lessor, at its sole cost and expense, shall have the right, by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor shall request and as may be reasonably necessary to confirm to the Lessor the existence and proper maintenance of the Units during the continuance of this Lease. The Lessee shall promptly notify the Lessor and the Vendor of any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Units pursuant to § 7 hereof.

The Lessee shall furnish to the Lessor the reports required to be furnished pursuant to Paragraph 8 of the Participation Agreement.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Article 13 of the CSA or of Annex A of the CSA or any other claims the Lessor may have against the Builder or others relating to the quality or performance of any Unit, any of its components or its design or construction, whether such claims be based in contract (including breach of warranty) or tort; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units and with all applicable interchange rules of the Association of American Railroads (or any of its successors), to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal hereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the CSA. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements to the Units during the term of this Lease. Any additions, modifications and improvements made by the Lessee which are readily removable without causing material damage to the Units shall be owned by the Lessee and may be removed by the Lessee at any time during the term of this Lease or any renewal hereof and prior to the return of such Units to the Lessor pursuant to § 11 or § 14 hereof, except additions, modifications and improvements required to maintain each Unit's eligibility for interchange service under the rules of the Association of American Railroads (or any of its successors) or to comply with the provisions of the first paragraph of § 7 or the first sentence of this paragraph. Any additions, modifications and improvements made to any Unit by the Lessee (i) which are not readily removable without causing material damage to such Unit, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien,

charge, security interest or encumbrance (except for those created by the CSA) shall immediately be vested in the Lessor.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (in both its individual and fiduciary capacities), the Owner and the Vendor from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability in tort and claims in which negligence, whether active or passive, or breach of warranty or contract of such indemnified party is alleged) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of, or the occurrence of a default, an event of default or an Event of Default under, the CSA, the Participation Agreement, this Lease or any sublease entered into pursuant to § 12 hereof, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease, or the transfer of title to the Units by the Vendor pursuant to any provision of the CSA. The indemnities arising under this paragraph shall continue in full force and effect with respect to all events, facts, conditions or other circumstances occurring or existing prior to the expiration or termination of the term of this Lease and return of the Units as provided in § 11 or § 14 of this Lease, notwithstanding such expiration, termination and return; provided, however, that the foregoing indemnification shall not apply to any failure of payment of the principal of or interest on the CSA Indebtedness and shall not be deemed to operate as a guaranty of the residual value of any Unit. The amount the Lessee shall be required to pay with respect to any of its obligations under this paragraph shall include a payment to the indemnified party sufficient to restore such party to the same position, after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that the indemnified party would have been in had the liability or expense indemnified against not been incurred.

The Lessee further agrees to indemnify, protect

and hold harmless the Vendor and the Builder as third party beneficiaries hereof from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor or the Builder because of the use in or about the construction or operation of any of the Units of any article or material specified by the Lessee and not manufactured by the Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to the Builder of any claim known to the Lessee as a result of which liability may be charged against the Builder under the CSA.

Except as provided in § 7 hereof, the Lessee shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any or all of the Units.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns, except as provided in § 6 hereof) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership of the Units by the Lessor or the interest of the Vendor therein or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (an "Event of Default") shall occur and be continuing:

(a) default shall be made in payment of any amount provided for in § 3 or § 7 of this Lease and such default shall continue for five business days, or default shall be made in payment of any other amount provided for in this Lease and such default shall continue for ten days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof and shall fail or refuse to cause such assignment or transfer to be canceled and

to recover possession of such Units within 15 days after written notice from the Lessor or the Vendor to the Lessee demanding the same;

(c) any of the representations and warranties of the Lessee contained in the Participation Agreement shall be or have been incorrect in any material respect as of the date when made and continue to be incorrect, or default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement or in the Consent, in either case continuing for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(d) an event of default under any mortgage, indenture of trust or other agreement evidencing indebtedness of the Lessee for borrowed money shall have occurred and be continuing, which event of default shall have caused any acceleration of the payment of any indebtedness of the Lessee for borrowed money (which payment is determined to be material in the reasonable opinion of the Vendor) and such acceleration (i) has not been waived by the obligee under such agreement or cured pursuant to the terms thereof within 60 days after the declaration of such acceleration and (ii) is not being contested in good faith by the Lessee in the reasonable opinion of the Vendor; or

(e) the occurrence of any of the following:

(i) Involuntary Bankruptcy Proceedings--a receiver, liquidator or trustee of the Lessee or of a major part of its property is appointed by court order and such order remains in effect for more than 60 days; or the Lessee is adjudicated bankrupt or insolvent; or a major part of its property is sequestered by court order and such order remains in effect for more than 60 days; or a petition is filed against the Lessee under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days after such filing;

(ii) Voluntary Petitions--the Lessee files a voluntary petition in bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of

debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under any such law; or

(iii) Assignments for Benefit of Creditors, etc.--the Lessee makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due or its willingness to be adjudicated a bankrupt, or consents to the appointment of a receiver, trustee or liquidator of the Lessee or of all or a major part of its property;

then, in any such case, the Lessor, at its option, may:

(x) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including amounts sufficient to restore the Lessor to the same net after-tax rate of return and after-tax cash position, after considering the effect of the receipt of such damages and amounts on its United States Federal income tax and state and local taxes or franchise taxes based on net income, that the Lessor would have realized or would have been in had such breach not occurred; or

(y) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall terminate as though this Lease had never been made, but the Lessee shall remain liable under this Lease to the extent that this Lease provides that the obligations of the Lessee under this Lease shall survive a termination or expiration thereof; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, sell, operate, lease to others and enjoy the same free from any right of the Lessee to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is

the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time after deduction of all reasonably estimated expenses and costs in connection with such sale; provided, however, that, in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clause of this paragraph (y) with respect to such Unit, shall have a right to recover from the Lessee, and the Lessee shall pay to the Lessor, in addition to any amount payable to the Lessor by the Lessee pursuant to §§ 6, 9 and 16 hereof, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale (after deduction of all reasonable expenses and costs in connection with such sale).

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due under this Lease before, during or after the exercise of any of the foregoing remedies and shall be liable for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives (i) any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law and (ii) any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the events set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such events or similar events.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessor may, upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Lessor, take, or cause to be taken by its agent or agents, immediate possession of each of the Units, and may remove the same from possession and use of the Lessee or any other person and for such purpose may enter upon the premises of the Lessee or any other premises where the Units may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities of the Lessee, subject to all mandatory requirements of due process of law.

If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, the standard for ordinary wear and tear to be that wear and tear which would have been suffered by units of the same type which had carried at all times, and over the same period of time, commodities of the kind ordinarily carried in units of such type by common carriers. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or any of its affiliates or, at the expense of the Lessee, on any other storage tracks, as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on any lines of railroad or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting

of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store, insure and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Units in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day after such termination to the date of delivery of such Unit to the Lessor an amount equal to the amount, if any, by which (x) the product of (i) a fraction the numerator of which is $9\frac{3}{4}\%$ and the denominator of which is 360, and (ii) the Purchase Price of such Unit exceeds (y) the actual earnings received by the Lessor with respect to such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Units pursuant to the first sentence of this paragraph.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use; Discharge of Liens. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9, 10 and 16 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns.

So long as the conditions specified in the proviso to the last paragraph of § 4 hereof are satisfied, the Lessee shall be entitled to the possession, quiet enjoyment and use of the Units, provided that the Lessee may not, except with the Lessor's and the Vendor's prior written consent, which shall not be unreasonably withheld, (a) sublease any of the Units to any sublessee other than a sublessee incorporated in the United States of America (or any state thereof or the District of Columbia), (b) sublease any of the Units to any sublessee for a term or terms that aggregate more than ten months in any one year or (c) permit any of the Units to be used by any other person, except for usage thereof in normal interchange service, any such usage to be subject to all the terms and conditions of this Lease and the CSA; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the continental United States of America and that the Units shall be used primarily for transporting petroleum coke; provided, further, however, that, subject to the provisions of § 15 hereof, the Lessee may assign or permit the assignment of any Unit to occasional service between the United States of America and Canada. Notwithstanding the immediately preceding proviso, no Unit shall be used predominantly outside the United States of America within the meaning of Section 48(a) of the Code, nor shall the Lessee sublease the Units to, or permit their use by, any person in whose hands such Units would not qualify as "Section 38" property within the meaning of the Code. Except as set forth in the last paragraph of this § 12, the Lessee may not assign this Lease to any other person. No sublease or usage permitted by the foregoing shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Any such sublease may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; provided, however, that every such sublease shall be subject to the rights and remedies of the Vendor under the CSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an event of default thereunder or an Event of Default hereunder and no such sublease shall relieve the Lessee of its obligations to the Lessor under this Lease.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge,

security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from claims against the Lessor or the Vendor not related to the ownership or leasing of, or the security title of the Vendor to, the Units) which may at any time be imposed on or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Vendor or the Lessee therein; except that this covenant will not be breached by reason of levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinions of the Lessor and the Vendor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the CSA.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in all but not less than all the Units or possession of all but not less than all the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Consent) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety or, with the prior written consent of the Lessor and the Vendor, property of the Lessee related to the operation of the Units or a portion thereof; provided, however, that (i) such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease and will have a consolidated net worth determined in accordance with generally accepted accounting principles not less than that of the Lessee immediately prior to such transaction and (ii) in the case of any such acquisition of less than all or substantially all the property of the Lessee, such acquisition shall not alter in any way the Lessee's obligation to the Lessor and the Vendor hereunder which shall be and remain those of a principal and not a surety.

§ 13. Right of Refusal. Provided that this Lease has not been earlier terminated and no Event of Default has

occurred and is continuing hereunder, in the event the Lessor, in its sole discretion, elects to sell the Units to third parties at the expiration of the term of this Lease, the Lessee shall be given written notice of such intention prior to the expiration of such term. In the event that the Lessor shall receive, prior to removal of the Units from the possession of the Lessee at the end of the term of the Lease, a bona fide offer in writing from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such offer at the expiration of such term of this Lease, the Lessor shall give written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party in writing to the Lessor. The Lessee shall have the sole right and option to purchase the Units at the higher of the fair market value of the Units ("Fair Market Value") or the price at which the Units are proposed by the Lessor to be sold, for cash or on the basis of such other terms and conditions of payment deemed acceptable by the Lessor, offered by the other party, as hereinafter provided. Within 10 business days of receipt of notice from the Lessor of the offer to purchase the Units, the Lessee may exercise such purchase right by delivery to the Lessor of a written notice specifying a date of purchase, which date shall not be later than 10 days after determination, pursuant to this § 13, of the price to be paid by the Lessee for the Units. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth therein from the date of expiration of the terms of this Lease until the date of such purchase.

Upon payment of the purchase price of the Units by the Lessee, as provided above, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties) for such Units, and such other documents as may be required to release such Units from the terms and scope of this Lease and to transfer title thereto to the Lessee or such assignee or nominee, in such forms as may reasonably be requested by the Lessee, all at the Lessee's expense.

Fair Market Value shall be agreed upon by the Lessor and the Lessee or determined as provided in the next paragraph, on the basis of (and shall be equal in amount to) the sale value which would obtain in an arm's-length transaction

between an informed and willing vendee and an informed and willing vendor under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such sale value, but there shall be excluded any sale value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to § 9 hereof; provided however, that in the determination of Fair Market Value, the existence of the Lessee's right of refusal pursuant to this § 13 shall be disregarded. Fair Market Value of the Units shall be determined upon the assumption that the Units shall have been maintained in accordance with the provisions of § 7 hereof.

If after 30 days from the giving of notice by the Lessee of the Lessee's election to exercise its right to purchase the Units as provided in this § 13, the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value, such Fair Market Value shall be determined in accordance with the provisions of the preceding paragraph of this § 13 by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of Fair Market Value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall, within 35 business days after such notice is given, appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser appointed, pursuant to the foregoing procedure, shall be instructed to determine the Fair Market Value of the Units subject to the proposed sale within 30 days after his appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser within the time period stated above, the determination of a single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance

with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the dates thereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Value, unless these are agreed upon by the Lessor and the Lessee as provided for in this § 13, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures or rights. The expense of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

§ 14. Return of Units upon Expiration of Lease Term. Upon the expiration of the original term or an extended term of this Lease with respect to any Unit which the Lessee does not purchase pursuant to § 13 hereof, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee (at not more than three locations) as the Lessee may reasonably designate, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any purchaser, lessee or user thereof, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, the standard for ordinary wear and tear to be that wear and tear which would have been suffered by units of the same type which had carried at all times, and over the same period of time, commodities of the kind ordinarily carried in units of such type by common carriers and shall meet all operating standards then in effect under the applicable rules of any governmental agency or other organization with jurisdiction provided that the Lessee shall not be required to make any additions, modifications and improvements which would not be required of the Lessee if the Lessee continued to operate the Units. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of termination of this

Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which (x) the product of (i) a fraction the numerator of which is $9\frac{3}{4}\%$ and the denominator of which is 360, and (ii) the Purchase Price of such Unit exceeds (y) the actual earnings received by the Lessor on such Unit for each such day.

§ 15. Recording. The Lessee will cause this Lease, the CSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission in accordance with 49 U.S.C. § 11303. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; provided, however, that the Lessee shall not be required to take any such action in respect of any jurisdiction outside the United States of America if (1) after giving effect to the failure to take such action, the Lessee has taken all action required by law to protect the title of the Owner-Trustee to and the security interest of the Vendor in Units having a Casualty Value (as defined in the CSA) of not less than 95% of the aggregate Casualty Value (as defined in the CSA) of all the Units then subject to this Lease, and (2) any Unit at any time located in such jurisdiction shall have been marked with the markings specified in § 5 hereof.

The Lessee will promptly furnish to the Vendor and the Lessor evidence of every such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the CSA and the assignments hereof and thereof shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Income Taxes. (a) Loss of Assumed Tax Benefits. If, for any reason whatsoever, subject to paragraph (b) of this § 16:

(i) the Owner is not allowed the benefit of current deductions for depreciation, commencing with its calendar 1979 taxable year, on any one or more of the Units placed under this Lease in such year under Section 167(a) of the Code (x) computed pursuant to any method of depreciation authorized by Section 167(b)(2) or (3) of the Code and pursuant to the asset depreciation range system of Section 167(m) of the Code and Section 1.167(a)-11 of the income tax regulations, (y) computed on the basis (A) of a net salvage value of zero, (B) that the basis of such Unit or Units under Section 167(g) of the Code is not less than the Purchase Price with respect to such Unit or Units, and (C) that such Unit or Units have an asset depreciation period of 12 years, and (z) determined on the basis of the "modified half-year convention" of Section 1.167(a)-11(c)(2)(ii) of the income tax regulations; or

(ii) the Owner is not allowed the benefit of current deductions under Section 163 of the Code for interest payable under the CSA; or

(iii) any deductions for depreciation with respect to any one or more of the Units are recaptured in whole or in part pursuant to Section 1245 of the Code or any successor provision or provisions thereto; or

(iv) any amount includible in the gross income of the Owner with respect to any one or more of the Units or any deduction allowable to the Owner with respect to such Unit or Units or with respect to any interest payable under the CSA shall be treated as derived from, or allocable to, sources outside the United States; or

(v) any amount is included, at any time prior to the end of the term of this Lease in the gross income of the Owner as a result of any repair, improvement, alteration, modification or addition (including replacement of parts) to such Unit or Units made by the Lessee (herein called a "Capital Expenditure");

(any such failure to allow, such recapture, such treatment

of income or deductions as derived from or allocable to sources without the United States, or such inclusion in gross income as a result of a Capital Expenditure being herein called a "Loss"); then, subject to paragraph (b) of this § 16, the Lessee shall pay to the Owner as an indemnity the amount set forth in paragraph (d) of this § 16 at the time or times set forth therein.

(b) Excluded Events. The Lessee shall not be required, however, to indemnify the Owner with respect to any Loss that results solely and directly from:

(i) a Casualty Occurrence, if the Lessee has made all payments with respect thereto that are required to be made pursuant to § 7 hereof;

(ii) a voluntary disposition by the Owner of its beneficial interest in any Unit or Units, if such disposition (x) shall be the direct cause of such Loss with respect to such Unit or Units, (y) shall occur at a time while no Event of Default (and no event that, with the lapse of time or the giving of notice, or both, would constitute an Event of Default) has occurred and is continuing, and (z) shall not be pursuant to the written consent of the Lessee;

(iii) the failure of the Owner to claim in a timely and proper manner on its income tax returns for the appropriate years any deductions contemplated by paragraph (a) of this § 16, unless the Owner shall have been advised by Messrs. Donovan Leisure Newton & Irvine, or other independent tax counsel selected by the Owner and approved by the Lessee (which approval shall not be unreasonably withheld), that there is no reasonable basis for claiming any such deduction;

(iv) the failure of the Owner to have sufficient income to benefit from such depreciation or interest deductions;

(v) the failure of the Owner to take timely action in contesting a claim made by the Internal Revenue Service, but only if such action is required by the terms of paragraph (c) of this § 16;

(vi) any amendment to, or change in, the Code, the income tax regulations thereunder or published administrative interpretations of the Code or such

regulations, which change or amendment is not enacted or adopted on or prior to December 31, 1979; or

(vii) any act, or failure to act, at any time, by the Owner or any of its officers, employees or agents, which is inconsistent with the Owner's obligations under the Trust Agreement and the Participation Agreement, except at a time when an Event of Default (or an event that, with the lapse of time or the giving of notice, or both, would constitute an Event of Default) has occurred and is continuing.

(c) Proceedings. If at the conclusion of any audit the Owner receives a preliminary or "30 day" letter from the Internal Revenue Service proposing an adjustment in any item that, if agreed to by the Owner, would result in a Loss with respect to which the Lessee would be required to indemnify the Owner pursuant to this § 16, the Owner shall promptly notify the Lessee of such proposed adjustment and shall furnish to the Lessee a statement describing such Loss in reasonable detail. If requested to do so by the Lessee, within 20 days after receipt of such statement, the Owner shall promptly request from Messrs. Donovan Leisure Newton & Irvine, or such other independent tax counsel as may be selected by the Owner and approved by the Lessee (the "Special Tax Counsel"), their opinion as to whether there is a meritorious basis for contesting such proposed adjustment. If the opinion is to the effect that there is a meritorious basis for contesting such proposed adjustment, the Owner shall contest such proposed adjustment beyond the level of the Internal Revenue Service auditing agent by such administrative proceedings, if any, as may be determined by the Owner in its sole discretion. Upon the conclusion of such administrative proceedings, if any, the Owner shall promptly notify the Lessee of the final adjustment proposed by the Internal Revenue Service and, if the Owner receives within 30 days after such notice a written request to do so from the Lessee, the Owner shall contest such final adjustment in a court of competent jurisdiction. If the Lessee requests the Owner to appeal the decision of such a court or of any intermediate appellate court, the Owner shall promptly request from Special Tax Counsel their opinion as to whether there is a meritorious basis for appealing such decision. If the opinion is to the effect that there is a meritorious basis for appealing such decision, the Owner shall appeal such decision. The Owner, in its sole discretion, shall

determine the initial and any appellate court and shall determine whether the proceedings shall be for redetermination of the deficiency proposed to be assessed by the Internal Revenue Service or for refund of taxes paid based on such deficiency. The Owner shall not be required to take any action as set forth in this paragraph (c) unless and until the Lessee shall have agreed to indemnify the Owner in a manner satisfactory to it for any Loss that results from an adverse determination with respect to the proposed adjustment and shall have agreed to pay to the Owner on demand all reasonable out-of-pocket costs and expenses, including without limitation attorneys' fees and expenses incurred by it in connection with the taking of such action. If the Owner elects to pay taxes based on a proposed deficiency and sue for a refund thereof, and if the proposed deficiency would be a Loss with respect to which the Lessee would be required to indemnify the Owner, then the Lessee shall pay to the Owner on demand the amount of such taxes and interest thereon which the Owner shall have paid, and if the Owner subsequently receives a refund of all or any part of such taxes and interest, it shall promptly pay to the Lessee the amount of such refunded taxes and interest plus the amount of any interest received by the Owner from the United States Government with respect to such refunded taxes and interest. Notwithstanding anything to the contrary contained in this paragraph (c), the Owner may at any time, whether before or after commencing to take any action with respect to a proposed adjustment, decline to take any further action with respect thereto, provided that, if the Lessee has properly requested such action pursuant to this paragraph (c), the Owner notifies the Lessee that it waives its right to any indemnity with respect to any Loss that will result from acceptance of such proposed adjustment.

(d) Amount and Time of Payment of Indemnity. The amount of indemnity payable by the Lessee pursuant to this § 16 with respect to a Loss shall be such amount as will result, in the Owner's reasonable judgment, in preserving for the Owner both the after-tax rate of return and the after-tax cash flow that would have been realized by the Owner if such Loss had not occurred, based on the rates of Federal, state and local taxes on, based on, or measured by, net income in effect from time to time. The amount of such payment of indemnity shall reflect (A) the amount of interest, additions to tax and penalties payable by the Owner with respect to such Loss, (B) the amount of Federal, state and local taxes on, based on, or measured by, net income (at the rates in effect from time to time), interest, additions to

tax and penalties incurred by the Owner as a result of the receipt of such indemnity payment, and (C) any amount paid by the Lessee to the Owner pursuant to the next-to-last sentence of paragraph (c) of this § 16 which has not been repaid by the Owner to the Lessee pursuant to such sentence. The Owner shall furnish the Lessee with a notice setting forth in reasonable detail the computations and methods used in computing such amount of indemnity.

In determining the amount of indemnity payable by the Lessee pursuant to this § 16 with respect to a Loss which results from a Capital Expenditure, there shall be taken into account any investment credits and depreciation deductions to which the Owner is or expects to be entitled with respect to such Capital Expenditure in the year in which the Capital Expenditure is made and in subsequent years, but if any such investment credits or depreciation deductions are subsequently disallowed, recaptured or treated as derived from or allocable to sources outside the United States, such disallowance, recapture or allocation shall be treated as a Loss described in clause (i), (iii) or (iv) of paragraph (a) of this § 16, as the case may be.

The Lessee's obligation to pay any indemnity payable pursuant to this § 16 with respect to a Loss shall become unconditional (1) in the case of a Loss that is required to be reflected on a tax return of the Owner, 30 days after the date such tax return is filed; (2) in the case of a Loss that results from a proposed adjustment of the Internal Revenue Service that is not contested pursuant to paragraph (c) of this § 16, 30 days after the Lessee's receipt of the statement referred to in the first sentence of paragraph (c) of this § 16; and (3) in the case of a Loss that results from a proposed adjustment of the Internal Revenue Service that is contested pursuant to paragraph (c) of this § 16, 30 days after the day on which such contest is finally concluded.

The Lessee shall pay to the Owner a lump-sum indemnity at the time its obligation to pay indemnity pursuant to this § 16 becomes unconditional with respect to any Loss if the Lessee's obligation to pay indemnity pursuant to this § 16 becomes unconditional on or after the termination of this Lease. Any other indemnity payable pursuant to this § 16 shall be structured as level future rent increases, and the Lessee shall commence payment of such increased rent on the first rental payment date

after Lessee's obligation to pay indemnity pursuant to this § 16 becomes unconditional. The amount of rental resulting from any one Loss shall be adjusted from time to time for each change in the Code and the income tax regulations (including, without limitation, tax rates) which affects the Owner's net after-tax rate of return and after-tax cash flow.

In the event that indemnity payments are made by the Lessee with respect to a Loss described in clause (iv) of paragraph (a) of this § 16, the Owner shall pay to the Lessee an amount equal to the aggregate net reduction in Federal income taxes, if any, realized by the Owner during any taxable year subsequent to the year of such Loss resulting from an increase in its foreign tax credit allowable for such year, which is attributable solely to the Owner's realizing foreign source taxable income for such year in connection with the transaction described in this Lease and related documents; provided, however, that the Owner shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments with respect to a Loss described in clause (iv) of paragraph (a) of this § 16 by the Lessee to the Owner, less (y) the amount of all prior payments by the Owner to the Lessee pursuant to this paragraph with respect to such Loss; and provided, further, that any decrease (which is attributable solely to the Owner's realizing foreign source tax losses in connection with the transaction described in the Lease and related documents) in such foreign tax credit allowable for such year resulting from an audit of the Owner's tax return for such year, or from a foreign tax credit carry-back from a subsequent year, shall be treated as a Loss described in clause (iv) of paragraph (a) of this § 16.

(e) Adjustment of Casualty and Termination Values. In the event that the Lessee shall be required to indemnify the Owner pursuant to this § 16 with respect to a Loss relating to a Unit or Units, the Casualty and Termination Value of such Unit or Units shall be appropriately reduced to reflect the reduction, if any, in taxes that will be payable by the Owner with respect to such Unit or Units upon a Casualty Occurrence or Termination with respect thereto; provided, however, that such Casualty and Termination Values shall not be reduced below the amounts required to satisfy the obligations of the Lessor under the CSA.

(f) Definition of Owner. For purposes of this § 16, the term "Owner" shall include any affiliated group, within the meaning of section 1504 of the Code, of which the Owner is a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

(g) Payments of Indemnity. All payments of indemnity made pursuant to this § 16, whether payable in a lump sum or in the form of increases in future rental payments, shall be made by the Lessee directly to the Owner by transfer of immediately available funds to the account of the Owner specified in paragraph (c) of Section 2.01 of the Trust Agreement or to such other account or in such other manner as the Owner from time to time shall have identified in written instructions given to the Lessee.

(h) Pass-through to Lessee of Investment Credit. The Lessor and the Lessee agree that the Lessor will, in accordance with Section 48(d) of the Code and the regulations thereunder, execute and file with the Lessee an election to treat the Lessee as having acquired the Units for purposes of the investment credit provided by Section 38 and related sections of the Code so that the Lessee may receive the benefit of such credit to the extent it is available in respect of "new section 38 property" as defined in Section 48(b) of the Code; provided, however, that the Lessor shall not be in any way responsible for the Lessee's failure to obtain the benefits of such investment credit and the Lessee shall be solely responsible for the preparation and filing of all documents necessary to effect such election and shall timely furnish the Lessor with all documents required to be signed and filed by the Lessor in respect of the proper making of such election and shall specify in its letter transmitting the election documents to the Lessor the date on which such election is required to be made.

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, interest at a rate per annum equal to 10-3/4% on the overdue rentals and other obligations for the period of time during which they are overdue (without reference to any grace periods provided for in § 10 hereof) or such lesser amount as may be legally enforceable.

§ 18. Notices. Any notice (or report pursuant to § 8 hereof) required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department; and

(b) if to the Lessee, at 299 Park Avenue, New York, N.Y. 10017, Attention of Vice President and Treasurer,

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at 151 Farmington Avenue, Hartford, Connecticut 06156, Attention of Bond Investment Department, and to the Owner at 2700 Sanders Road, Prospect Heights, Illinois 60070, Attention of Carl W. Giessel, Vice President.

§ 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the Trust Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee and, so long as the CSA Indebtedness or any other obligation of the Lessor under the CSA remains outstanding and if such variation, modification or waiver shall materially affect the interests of the Vendor, approved by the Vendor.

§ 20. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the assignment hereof to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that

the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

§ 22. Definitions. Whenever the term "Lessor" is used in this Lease, it shall also include the Owner and any assignee of the Owner and, where the context so requires (including but not limited to certain of the provisions of § 6 hereof), shall, except for purposes of any assignment of the "Lessor's" rights under this Lease, refer only to the Owner or such assignee of the Owner.

§ 23. Concerning the Lessor. Each and all of the warranties, representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal warranties, representations, undertakings and agreements by The Connecticut Bank and Trust Company, or for the purpose or with the intention of binding said bank personally, but are made and intended for the purpose of binding only the Trust Estate, as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank, except for its wilful misconduct or gross negligence, or against the Owner on account of any warranty, representation, undertaking or agreement herein of the Lessor or the Owner, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

GREAT LAKES CARBON CORPORATION,

[Corporate Seal]

by

A. J. Herman
Vice President

Attest:

James H. Tracy

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee as aforesaid,

[Corporate Seal]

by

[Signature]
Authorized Officer

Attest:

F. J. Cannon

STATE OF NEW YORK,)
) ss.:
 COUNTY OF NEW YORK,)

On this 14th day of May 1979, before me personally appeared A. Heerman, to me personally known, who, being by me duly sworn, says that he is a Vice President of GREAT LAKES CARBON CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Teresa Brown
 Notary Public

[Notarial Seal]

TERESA BROWN
 Notary Public, State of New York
 No. 31-5486185
 Qualified in New York County
 Commission Expires March 30, 1980

My Commission expires

STATE OF CONNECTICUT,)
) ss.:
 COUNTY OF HARTFORD,)

On this 15th day of May 1979, before me personally appeared DONALD E. SMITH, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was a free act and deed of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand.

Barbara S. Kacich
 Notary Public
BARBARA S. KACICH
 NOTARY PUBLIC
 MY COMMISSION EXPIRES MARCH 31, 1982

[Notarial Seal]

My Commission expires

SCHEDULE 1 TO LEASE

<u>Builder</u>	<u>Type</u>	<u>AAR</u>		<u>Builder's</u> <u>Designation</u>	<u>Builder's</u> <u>Plant</u>	<u>Quantity</u>	<u>Unit Base</u> <u>Price*</u>	<u>Total</u> <u>Base Price</u>	<u>Road Numbers</u> <u>(Inclusive)</u>	<u>Place and</u> <u>Assumed Time</u> <u>of Delivery</u>
		<u>Mechanical</u>	<u>Designation</u>							
Thrall Car Manu- facturing Company	100-ton Covered Hopper with continuous trough hatches	LO	No. HC-100- 47-163 constructed under Builder's Job Order No. 736-A	Chicago Heights, Illinois	100	\$35,523.08	\$3,552,308	GLCX 7000- 7099	May and June, 1979 at Daven- port, Iowa	

* Includes inspection and engineering costs but is subject to increase or decrease in accordance with the Purchase Orders. Such Unit Base Price shall also be increased by an amount equal to the Builder's cost of transporting and insuring the units of Equipment from Builder's plant to Davenport, Iowa.

SCHEDULE 2 TO LEASE
CASUALTY VALUES

<u>Payment Date</u>	<u>Percentage of Purchase Price</u>
7/15/79	107.8969
8/15/79	108.0399
9/15/79	108.1582
10/15/79	108.2656
11/15/79	108.3738
12/15/79	108.4571
1/15/80	108.5292
2/15/80	108.6018
3/15/80	108.6493
4/15/80	108.6993
5/15/80	108.7497
6/15/80	108.7748
7/15/80	108.8024
8/15/80	108.8301
9/15/80	108.8324
10/15/80	108.8370
11/15/80	108.8416
12/15/80	108.8206
1/15/81	108.8016
2/15/81	108.7826
3/15/81	108.7378
4/15/81	108.6980
5/15/81	108.6579
6/15/81	108.5919
7/15/81	108.5308
8/15/81	108.4692
9/15/81	108.3816
10/15/81	108.2987
11/15/81	108.2152
12/15/81	108.1054
1/15/82	108.0003
2/15/82	107.8944
3/15/82	107.7621
4/15/82	107.6362
5/15/82	107.5093
6/15/82	107.3560
7/15/82	107.2088
8/15/82	107.0606
9/15/82	106.8871
10/15/82	106.7211
11/15/82	106.5555
12/15/82	106.3644
1/15/83	106.1808
2/15/83	105.9974
3/15/83	105.7885
4/15/83	105.5889
5/15/83	105.3894
6/15/83	105.1644
7/15/83	104.9486
8/15/83	104.7328
9/15/83	104.4914
10/15/83	104.2592
11/15/83	104.0269
12/15/83	103.7689

1/15/84	103.5199
2/15/84	103.2709
3/15/84	102.9961
4/15/84	102.7321
5/15/84	102.4680
6/15/84	102.1781
7/15/84	101.8990
8/15/84	101.6196
9/15/84	101.3144
10/15/84	101.0199
11/15/84	100.7251
12/15/84	100.4043
1/15/85	100.0943
2/15/85	99.7838
3/15/85	99.4474
4/15/85	99.1234
5/15/85	98.7991
6/15/85	98.4487
7/15/85	98.1108
8/15/85	97.7724
9/15/85	97.4079
10/15/85	97.0558
11/15/85	96.7032
12/15/85	96.3244
1/15/86	95.9580
2/15/86	95.5911
3/15/86	95.1979
4/15/86	94.8189
5/15/86	94.4394
6/15/86	94.0335
7/15/86	93.6419
8/15/86	93.2497
9/15/86	92.8311
10/15/86	92.4267
11/15/86	92.0216
12/15/86	91.5902
1/15/87	91.1729
2/15/87	90.7549
3/15/87	90.3105
4/15/87	89.8821
5/15/87	89.4530
6/15/87	88.9975
7/15/87	88.5580
8/15/87	88.1177
9/15/87	87.6509
10/15/87	87.2002
11/15/87	86.7487
12/15/87	86.2707

1/15/88	85.8087
2/15/88	85.3458
3/15/88	84.8565
4/15/88	84.3851
5/15/88	83.9128
6/15/88	83.4141
7/15/88	82.9332
8/15/88	82.4515
9/15/88	81.9433
10/15/88	81.4530
11/15/88	80.9618
12/15/88	80.4442
1/15/89	79.9444
2/15/89	79.4438
3/15/89	78.9167
4/15/89	78.4094
5/15/89	77.9012
6/15/89	77.3666
7/15/89	76.8518
8/15/89	76.3362
9/15/89	75.7941
10/15/89	75.2718
11/15/89	74.7488
12/15/89	74.1993
1/15/90	73.6696
2/15/90	73.1392
3/15/90	72.5823
4/15/90	72.0472
5/15/90	71.5114
6/15/90	70.9492
7/15/90	70.4088
8/15/90	69.8677
9/15/90	69.3003
10/15/90	68.7548
11/15/90	68.2085
12/15/90	67.6360
1/15/91	67.0853
2/15/91	66.5341
3/15/91	65.9565
4/15/91	65.4000
5/15/91	64.8429
6/15/91	64.2595
7/15/91	63.7010
8/15/91	63.1420
9/15/91	62.5569
10/15/91	61.9967
11/15/91	61.4360
12/15/91	60.8493

1/15/92	60.2876
2/15/92	59.7256
3/15/92	59.1375
4/15/92	58.5745
5/15/92	58.0113
6/15/92	57.4221
7/15/92	56.8581
8/15/92	56.2939
9/15/92	55.7038
10/15/92	55.1390
11/15/92	54.5741
12/15/92	53.9835
1/15/93	53.4182
2/15/93	52.8529
3/15/93	52.2619
4/15/93	51.6964
5/15/93	51.1309
6/15/93	50.5398
7/15/93	49.9744
8/15/93	49.4090
9/15/93	48.8182
10/15/93	48.2531
11/15/93	47.6883
12/15/93	47.0980
1/15/94	46.5336
2/15/94	45.9695
3/15/94	45.3801
4/15/94	44.8167
5/15/94	44.2537
6/15/94	43.6656
7/15/94	43.1037
8/15/94	42.5422
9/15/94	41.9511
10/15/94	41.3815
11/15/94	40.8078
12/15/94	40.2045
1/15/95	39.6225
2/15/95	39.0364
3/15/95	38.4206
4/15/95	37.8261
5/15/95	37.2273
6/15/95	36.5987
7/15/95	35.9914
8/15/95	35.3797
9/15/95	34.7381
10/15/95	34.1176
11/15/95	33.4927
12/15/95	32.8378

1/15/96	32.2038
2/15/96	31.5655
3/15/96	30.8970
4/15/96	30.2494
5/15/96	29.5972
6/15/96	28.9148
7/15/96	28.2532
8/15/96	27.5870
9/15/96	26.8904
10/15/96	26.2146
11/15/96	25.5340
12/15/96	24.8229
1/15/97	24.1325
2/15/97	23.4372
3/15/97	22.7114
4/15/97	22.0061
5/15/97	21.2958
6/15/97	20.5805
7/15/97 and thereafter	20.0000

SCHEDULE 3 TO LEASE
TERMINATION VALUES

<u>Payment Date</u>	<u>Percentage of Purchase Price</u>
7/15/86	96.5601
1/15/87	93.9675
7/15/87	90.8898
1/15/88	88.0213
7/15/88	84.7225
1/15/89	81.6211
7/15/89	78.1505
1/15/90	74.8650
7/15/90	71.2783
1/15/91	67.8636
7/15/91	64.2130
1/15/92	60.7243
7/15/92	57.0965
1/15/93	53.6012
7/15/93	50.0368
1/15/94	46.5656
7/15/94	43.1037
1/15/95	39.6225
7/15/95	35.9914
1/15/96	32.2038
7/15/96	28.2532
1/15/97	24.1325
7/15/97	20.0000

EXHIBIT A

CERTIFICATE OF ACCEPTANCE

Dated: , 1979, at Davenport, Iowa.

TO THRALL CAR MANUFACTURING COMPANY:

I, a duly appointed and authorized representative of Great Lakes Carbon Corporation (the "Lessee"), and a duly authorized representative and agent of The Connecticut Bank and Trust Company, as Owner-Trustee (the "Owner-Trustee"), do hereby certify that the units of railroad equipment specified in Annex A hereto have been inspected and approved at your plant, and delivery thereof has been received and accepted at Davenport, Iowa, on behalf of the Lessee under a Lease of Railroad Equipment dated as of March 15, 1979, between the Lessee and the Owner-Trustee and on behalf of the Owner-Trustee under a Conditional Sale Agreement dated as of March 15, 1979, between the Owner-Trustee, as Trustee for Fourteenth HFC Leasing Corporation and Thrall Car Manufacturing Company.

I do further certify that the foregoing cars are in good order and condition and conform to the specifications applicable thereto and to all United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards if any recommended by the Association of American Railroads reasonably interpreted as being applicable to each such unit of equipment.

In addition, I further certify that there was plainly, distinctly, permanently and conspicuously placed, in letters not less than one inch in height, the following legend:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION".

The execution of this Certificate will in no way relieve Thrall Car Manufacturing Company of its duty or decrease its responsibility to produce and deliver the railroad equipment indicated above in accordance with the terms of a Conditional Sale Agreement dated as of March 15, 1979, covering such equipment, subject to any warranties therein contained.

Inspector and Authorized
Representative of GREAT LAKES
CARBON CORPORATION, and Agent
for THE CONNECTICUT BANK AND
TRUST COMPANY, as Owner-Trustee

ANNEX A TO CERTIFICATE OF ACCEPTANCE

Type of Cars: 100-ton covered hopper with continuous trough
hatches

Place Accepted: Davenport, Iowa.

No. of
Units

Date Accepted

Road Nos.